104

TROUBLED PUBLIC HOUSING

Y 4. B 22/1: 104-35

Troubled Public Housing, 104-35, 10... RING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON BANKING AND
FINANCIAL SERVICES

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

OCTOBER 5, 1995

Printed for the use of the Committee on Banking and Financial Services

Serial No. 104–35

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TROUBLED PUBLIC HOUSING

THURSDAY, OCTOBER 5, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND COMMUNITY OPPORTUNITY,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:21 a.m. in room 331, Metcalfe Federal Building, 77 West Jackson, Chicago, Illinois, Hon. Rick Lazio [chairman of the subcommittee] presiding.

Present: Chairman Lazio, Representatives Weller and Gutierrez.

Also present: Hon. Michael Flanagan

Chairman LAZIO. Good morning, the subcommittee shall come to order.

I want to thank everybody for attending what is in effect a field hearing in the city of Chicago, and I appreciate all the accommodations that have been made for us by both the city of Chicago and the Federal agencies, GSA and Edwin Eisendraft from the HUD regional office who we appreciate working with us to ensure that we had all of the logistics taken care of. I certainly appreciate the fact that we have a number of members from the subcommittee who have agreed to participate in this hearing.

We are also joined by Congressman Michael Flanagan who has been actively involved in a number of housing issues though he does not sit on the subcommittee. We are very happy to have him involved in this hearing. I am flanked by—not necessarily philosophically, Luis Gutierrez on my right. I am happy to see Congressman Gutierrez here and Mr. Jerry Weller on my left who are active members of the subcommittee.

I want to thank everyone else for being here this morning. Obviously, Chicago has a housing authority that is in some crisis, and has been in some stress. There have been changes there that are, I think, positive changes. We are going to try and get to them.

We are happy to have among others, Joe Shuldiner, who is the proposed new Executive Director of the Chicago Housing Authority, as well as the Assistant Secretary in the Department of Housing and Urban Development. I thank him for being here.

This is obviously a very important hearing, and I appreciate the attendance of the witnesses, as well as my colleagues who have joined us.

The Federal housing programs have not been working very well here in Chicago. The takeover of the Chicago Housing Authority by the Department of Housing and Urban Development this year was the subject of yet another hearing by this subcommittee on June

7. It is only the latest attempt to address what everyone has agreed for years is a very, very serious problem.

We are here today to do more than just look at what went wrong in Chicago. We are here, obviously, concerned about what progress has been made with the CHA since takeover, and what HUD's plans are for the future. Our real goal is to look at what lessons we can draw from the failures and the successes that have occurred here in the third largest city and apply these lessons to other troubled housing authorities around the country.

Obviously, not all public housing is bad. Not even all public housing in the city of Chicago is bad. But failure on the scale we see here and in places like Detroit, New Orleans and other cities is far more than we can accept. The time has come to stop tolerating failure—failure on the part of the management structure, failure of the government to do effective oversight and the failure of an entire system of housing delivery.

Quite simply, we are no longer going to finance this failure. For years, the solution to the problems of public housing had been to simply spend more money to create new boutique programs, which other members can send out press releases for. In fiscal year 1995, HUD spent more than $30 billion and had 244 programs. We cannot and will not continue to pour more money into a failed government program or system of programs. This is irresponsible to the taxpayers and irresponsible to the people living in public assisted housing.

Last week we held a hearing on H.R. 2406, the United States Housing Act of 1995. This bill is the first step in addressing the needs of entire communities. It repeals the U.S. Housing Act of 1937, a depression era bill and sets neighborhoods on a path of new opportunities.

Among other provisions, it modifies the Brooke Amendment, which though well-intentioned when enacted nearly 30 years ago, now serves as a deterrent to work, for public housing residents, and has in fact increased the cost of public housing to the government.

H.R. 2406 ends the one-for-one replacement rule that has kept authorities like CHA from demolishing dilapidated units of public housing even if they have stood vacant for a decade.

It begins to move toward the process of fashioning local solutions for local problems. It does not just replace a Federal bureaucracy with a State bureaucracy, it devolves decisions and empowers people to make decisions on their own. It increases the incentives for home ownership. It creates a structure so that we can graduate people from public housing not through punitive measures, but through positive incentives which are long overdue. And it begins the process of integrating resources which I think is part of the ultimate solution for not just our inner cities but throughout the Nation and our communities.

Last night I drove by the high-rises on the State Street corridor where I visited this past summer. I am still appalled at the failure represented by these buildings. If newspaper accounts are correct, and HUD plans to demolish only one out of three of these high-rises, I am concerned that the conditions along this corridor will simply not change. Given the increased authority in H.R. 2406, I

hope that HUD's plans can be looked at again. The concentration of poverty that exists on State Street cannot continue.

This subcommittee is also working to end what may be the greatest tragedy to occur in public and assisted housing. Elderly residents being forced to live with alcoholics and drug abusers who often harass, intimidate or even attack residents. I would like to express my sincere gratitude to Congressman Flanagan and Congressman Weller who have demonstrated strong leadership on this issue, and who I am sure will continue to take the lead on crafting effective policies to deal with this problem in the future.

In fact, the subcommittee will be marking-up a bill drafted which will help stop this horrible situation. This legislation will be voted on by the entire House of Representatives by the end of this month.

Clearly, we have a lot of work to do. But it is my belief that we can push aside pure politics and really work on crafting good policies. We can then end the monopoly some housing authorities have over low-income families, and make policies that bring cities like Chicago into the 21st century with the hope and tools to improve neighborhoods and families' lives.

I want to conclude by noting that recently the ranking minority Member of the subcommittee, Mr. Kennedy, expressed some concerns to the Chair, that the subcommittee has not been holding sufficient hearings to explore issues such as troubled housing and, in fact, we've held several of them. Obviously, I am sorry he has not been able to make time in his schedule to attend this particularly important hearing, but I am happy that Congressman Gutierrez is here representing the minority. I hope Mr. Kennedy will have time to review the written testimony.

I turn to Congressman Gutierrez, if you have an opening statement.

[The prepared statement of Hon. Rick Lazio can be found on page 64 in the appendix.]

STATEMENT OF LUIS V. GUTIERREZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. GUTIERREZ. Thank you very much, Mr. Chairman. I want to welcome you to Chicago today. I appreciate your interest in the residents of the city of Chicago and in the fate of the Chicago Housing Authority.

Although the hearing is on troubled public housing in general, the CHA typifies the ramifications of years of neglect and disinterest in certain neighborhoods and segments of our population. For too long, we have warehoused our poor, forcing people into despair when what they really needed was hope.

One significant example of this has been the warehousing of seniors and substance abusers in the same buildings. This program has ignited controversies in cities across the country. Seniors are scared. It is long past time that this situation is addressed. I believe the separation of these two populations should be a priority for HUD, the subcommittee, the CHA, and housing authorities across this country. In Chicago, the CHA has taken much too long to devise an acceptable plan. I wish to commend Councilman Ambrosio Mendrano, Chairman of City Council Housing Committee who will be one of our witnesses here today for his dedication and

perseverance in forcing the Chicago Housing Authority to address this problem. He has been instrumental in forcing the CHA into action. I look forward to his testimony and to continuing working with the alderman to ensure that our seniors are safe and happy in their homes.

I would also like to thank at this time, my friend, Congressman Flanagan from the city of Chicago who agreed to come out to a neighborhood meeting in the Fourth Congressional District, talk to the residents, showed his concern and showed his insight and his intelligence into this matter and his dedication for resolving it. I look forward to continuing working with Congressman Flanagan on resolving this issue both in the subcommittee, although he may not be a member, but certainly on the full committee. And I thank Congressman Flanagan for being here today, and I welcome Congressman Weller back to Chicago, though he does represent only a little bit of the city.

I want to also welcome Mr. Shuldiner. He has been a willing witness on many occasions. I also want to congratulate Mr. Shuldiner on his new appointment. I certainly appreciate his dedication and his vast knowledge, and know that they will come to bear very good witness on his new endeavors here in the city of Chicago, and particularly with the Chicago Housing Authority.

I still have questions about Chicago's Public Housing Program in terms of how they are going to make sure that our seniors are kept safe. Although the resurrection of this authority is a day-to-day process, to be successful, there must be a broad plan in place to address all operations of the CHA. At the June 7 hearing held in Washington on HUD's takeover of the CHA, I pressed for more details regarding the takeover. I still have concerns that a long-range plan has yet to have been developed, and look forward, very eagerly to hearing Mr. Shuldiner's details about this.

At the hearing, I also stated my support for increased community input. In a recent memorandum from Secretary Cisneros to the President, the Secretary outlined various community outreach efforts on the part of HUD. I would be interested to know what has come of these efforts, if any specific efforts have been made in Hispanic communities.

Although they are not the big troubled high-rise buildings in my district, there are many public housing residents who are concerned about their futures. I trust we can work to address effectively these and other issues.

Again, however, I have to return to the issue of senior and disabled housing.

Mr. Chairman, I have looked at your bill and I appreciate your efforts. I believe H.R. 2406 addresses many important issues. The proposed changes in occupancy standards will certainly help housing authorities take action against these residents who are a threat or menace to their neighbors. However, to successfully move offenders out of public housing, relies on the will of the housing authority, and of course, our local courts. I believe that only a collective effort between the city, the housing authority, and Congress, along with the residents will solve this problem.

In Chicago, we have brought the key players together, however, I would like to see HUD have a greater role in ensuring that public

housing residents who violate conditions of their leases are evicted from those units. I look forward to comments on this issue from any of the witnesses here today.

Mr. Chairman, I would like to conclude by thanking you again for your interest in the troubled public housing, as I know you have witnessed the residents pay the price for management and neglect. Our children live in fear and in gang infested communities. Our seniors miss doctor's appointments because they are scared to leave their home, and our buildings fall apart.

In a recent *Chicago Sun-Times* article, Mr. Shuldiner pledged "Sacrifice virtually everything else to maintain facilities in the face of severe budget cuts."

Mr. Chairman, as you well know, this is going to be difficult to see through. We must provide jobs and other services, as well as security for our residents. If not, public housing will remain permanent housing and residents will remain on our welfare rolls and off of our job rolls. I urge you to take this message back to your leadership. And I thank you once again, Mr. Lazio for visiting us here and bringing this important hearing to Chicago.

Chairman LAZIO. I thank the Congressman.

Congressman Weller.

STATEMENT OF JERRY WELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. WELLER. Thank you, Mr. Chairman. And first I want to commend and thank you for your diligent interest in, particularly into the oversight of HUD's takeover of CHA. This is your second trip to Chicago in less than 6 months. And as one who represents the city of Chicago, I know the residents of this great city and the Chicago public, and those who live in assisted housing in particular, appreciate the personal and special attention you have shown to their concerns and their plight. For far too long, the residents of CHA have been the victims of political patronage and a self-serving bureaucracy that is all persuasive.

Moreover, your actions reach beyond the speeches and pandering CHA residents have come to expect from politicians. The Neighborhood Renewal Act which you introduced last month, and which I joined you as a co-sponsor, sends a clear message to troubled housing authorities like the CHA that they will no longer be allowed to exist in perpetuity as a troubled entity. They must clean up their act or we will give their job to someone else who can.

I join with you in your call for interim goals and objectives for the CHA to be met before we will authorize additional funding. The fiscal responsibility to be entered by all of us who are taxpayers means that Congress will not sit idly by while tax dollars are squandered by corrupt, inefficient and bloated bureaucracies.

Also, I want to thank you for supporting and working for reforms that Mike Flanagan and myself, along with many of our colleagues are working to address the issues of senior housing. Many of us have seen headlines such as, "Fear Holds Elderly Tenants Hostage in Homes"; "Tenant Mix Frightens the Elderly, Substance Abusers Housed Amongst Them"; "Addicts/Elderly, A Bad Mix". Senior citizens in public housing in many communities, including Chicago, do not feel safe in their own homes. They are relegated to living in

complexes with neighbors who buy and sell drugs, engage in prostitution, and victimize the elderly with verbal abuse, shakedowns and muggings. Would you want your mother or grandmother to live in an environment like this? I think not.

Unfortunately, seniors nationwide are forced to live under such conditions because they have nowhere else to go. These problems stem largely from the current mixed population regulations which mix senior citizens in with non-elderly individuals who the Federal Government consider disabled because they are recovering from drug and alcohol abuse.

While HUD's public housing regulations are supposed to improve housing opportunities for Americans in need, instead, they are putting many seniors at risk.

Our legislation that we are all working on here, the Neighborhood Renewal Act, will ensure that our seniors in public housing are not subjected to the criminal activity of so-called recovering drug addicts and alcoholics who very often are not recovering at all. In fact, they are victimizing many senior citizens.

Under the Neighborhood Renewal Act, our legislation will allow local housing authorities to set aside senior housing for seniors, preserving senior housing for seniors so that our seniors living in senior housing know that their home is safe and secure.

I want to note, Mr. Chairman, the presence of Betty Hildebrand who is the Chair of the Coalition to Save the Greenview and Eckert Apartments, who has been a very strong and hardworking advocate for the need to allow senior housing to be for seniors and to get the drug addicts and the alcoholics out of senior housing.

Also, Mr. Chairman with your permission, I would like to submit for the record, documentation that the coalition has prepared which very strongly demonstrates the need for this reform which I know you support.

Chairman LAZIO. Without objection.

[The prepared statement of the Illinois Statewide Housing Resident Coalition can be found on page 107 in the appendix.]

Mr. WELLER. Thank you, Mr. Chairman.

Finally, I also want to point out that the Neighborhood Renewal Act works to address the administration of a section 8 program that has become problematic for many distressed communities in the south suburbs, in my district as well as throughout the Chicago area.

In fact, as you noted last night when we met with community leaders and local elected officials in the south suburbs representatives of both the second congressional district and the eleventh, which I represent, that 70 percent of the section 8 subsidized housing is in the south Cook County suburbs. In fact, 40 percent is in two zip codes alone which include the communities of Harvey and Chicago Heights.

In fact, for those two communities in their census tract, 25 percent of the residents are section 8 recipients. The problem is that their current section 8 program has essentially, while it was meant to give opportunity for those who are participating in subsidized housing to move into other areas, define economic opportunity the way section 8 is currently administered, instead, it just continues to concentrate poverty. And in this case, concentrates poverty in

the south suburbs where there is no opportunity for new jobs, as well as the opportunity to move up the economic ladder. It is not fair to the poor.

I appreciate your interest and desire to work to address that problem. So I look forward to working with you, Mr. Chairman, to reform the entire housing policy of the Federal Government so that we are truly providing assistance to those in our communities who need it most, and not sentencing them instead to a life in poverty with no chance to escape.

So again, Mr. Chairman, I want to thank you for your second visit to Chicago in the last 6 months. But also, the special attention you have been giving for problems that those of us here in the Chicago area are facing. Thank you, Mr. Chairman.

Chairman LAZIO. I thank the gentlemen. Again, I want to thank him for his efforts relative to what will be on the floor next week dealing with the issue of seniors and those people who may be recovering or define themselves as recovering drug addicts or alcoholics.

Congressman Flanagan, would you like to make a comment?

STATEMENT OF MICHAEL FLANAGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. FLANAGAN. Thank you, Mr. Chairman. I will not take very long, and I will not submit a prepared statement for the record.

But I wanted to thank you for bringing the subcommittee to Chicago to once again look at the unique situation that we have here and the unique circumstances that the CHA and the HUD and the actual national unique relationship that they enjoy.

I also wanted to thank Alderman Mendrano for his many visits to my office with his staff, and the work that he has done on behalf of, not just seniors, but the folks in the housing here, as well.

And to publicly thank Betty Hildebrand for coming today. She is sitting in the middle of the group. I first met Betty downtown where she talked with the chairman of the full Banking Committee, Jim Leach, for some half hour about this issue. And then, I was very fortunate to meet her again when I went out with Congressman Gutierrez who is a leader in this issue at his meeting in his district. Betty has a sweet grandmotherly look, do not let that belie you. She will take you apart and put you back together in a heartbeat. Betty is a strong, strong woman in this issue, and she has a lot to do with the fact that it is driving as well as it is.

The Senior Citizen Housing Safety Act that Peter Blute authored, Jerry and I and Luis have participated in, in no small detail, is extremely important legislation to separate the populations of seniors, who in their golden years, need to live safe in their homes. Folks with special and particular problems need to be segregated away from the population. It is nothing bad to say about either of them, they just do not mix well together. The heart rending stories you hear of handicapped seniors still who cannot leave their homes during the daytime, much less at night, who stay trapped in their rooms who cannot take visitors, who cannot sit in their day room, much less go out and take a walk or do the things that all of us take for granted simply because of the circumstances of where they live, and the neighbors that are locked together with

them in the same housing. Those populations must be separated and we must act to accomplish that.

So I want to thank you, Mr. Chairman, for having this, and thank you for permitting me to be here today.

Chairman LAZIO. I thank the Congressman.

We have a statement by Representative Cardiss Collins, who appeared earlier at a hearing involving CHA and has been active on these issues. In addition, I have testimony submitted by the Illinois Statewide Housing Resident Coalition that speaks to the issues that are before us today. I want to ask for unanimous consent that both of these statements be placed in the record. Without objection, so ordered.

[The prepared statement of Hon. Cardiss Collins can be found on page 66 of the appendix.]

For the first panel, I am very happy to introduce somebody who has an important perspective on assisted housing, on housing that the Federal Government has played a role in financing in terms of construction. This is the section 8 program that I referred to.

I would like to introduce to the subcommittee, Arthur Agee, who was featured in the award winning internationally acclaimed motion picture, "Hoop Dreams". The movie follows the lives of two Chicago youths from the eighth grade to their freshman year in college and shows how their dreams of being professional basketball players met with the realities of life.

Mr. Agee's instance, the movie shows how a strong role model, his mom, helps lead him through some enormously difficult challenges and ultimately to success, achieving his high school degree, and having the opportunity to attend college.

Mr. Agee recently finished his senior year of basketball at Arkansas State University. Mr. Agee was one of the team leaders and recognized as one of the best players in his conference. Arthur will soon receive his degree in communications, and has already started on a career in that field by hosting radio shows on the Arkansas State station. We congratulate you for that.

Mr. Agee was raised by his mom in section 8 federally assisted housing and is staying with her as he tries out for professional basketball teams and other broadcasting career alternatives. In addition, since moving back to Chicago, Mr. Agee has started the Arthur Agee Role Model Foundation to educate parents, and all other adults as they relate to being role models for children.

We welcome Mr. Agee to this hearing. I understand that Mr. Agee has not submitted written testimony, but will share with us some of his experiences relating to growing up in federally assisted housing.

Mr. Agee, I want to thank you for joining us today and taking time out of what I know is a busy schedule, and providing what I am sure will be important testimony for us to consider back in Washington.

STATEMENT OF ARTHUR AGEE, JR.

Mr. AGEE. Thanks, I am glad to be here.

First of all, I would like to say for the CHA housing thing, it has been very helpful to me and my family because I do not think without it, it is kind of hard to not be working and try to pay the rent

where the landlord is accepting it. You are just not able to do it without, you know, your mom or your parents somewhere in there working. With the housing authority, I think, it is a blessing, not in disguise, but it is a blessing to me and my family. So, I think the first thing that I think will have to happen to make housing better is you have to move the—you have to get the drug dealers out first of all because that is where the drug dealers attack first.

They attack at the high-rise buildings because they feel it is easier to hide things. They really congregate their business there. That is what terrorizes the senior citizens and most of the little kids. Because they are scared to go out, you know, you got stray bullets flying. It is just hard—it is just a hard area to live in.

So, what I did was to just stay away from that was to find something constructive that I wanted to do, and have the discipline on my own. I had the discipline from my mother to really just stay out the way of drug dealers and gang bangers and just focus my attention on something positive, like playing basketball or working on my study habits inside the house and not really going out that much.

I can honestly say that it is getting to a point that it is getting real bad to where some senior citizens and most families cannot even take a walk down the street or around the neighborhood because of what is going on out there. To me, I never really lived in the housing projects. It was funded by CHA, but we lived like in a two-flat buildings, like in areas like that.

It was not as bad as a project. But I had friends that lived in the projects, such as William Gates, he lived in the row houses over there on Chicago Avenue. I used to go over there, and I had a lot of friends there, and some people was living real shameful, I would say. It kind of hurt my heart to where, if I was a friend, I would tell them. You know, why are you not all not moving out of these places? They would say, it is just hard. Me and my mom, she is not working. She is on welfare.

Some people were—there are a lot of teenage mothers that I hear that is getting on welfare and not getting jobs because they are afraid that they are going to take their expenses away from them, as far as, you know, food stamps. You know, living like that to where they got—where they are meeting together on the rent. So if they do go out and get a job, then it is not enough to pay the light bill, the gas bill, to pay for the kid's clothes. So they just stay on welfare. And this is a sad case to me to see that they have to do that.

So that is why I am out here trying to start up my Arthur Agee Role Model Foundation so I can show kids and families that there is better living and better ways to do things than what we are doing now.

Chairman LAZIO. That is great.

I am going to begin the questioning. I am going to try to restrict myself to about 5 minutes. I am going to try and watch myself so that everybody can take about 5 minutes.

Arthur, you talked about almost comparing the CHA-assisted section 8 housing that you were in, and the projects, the public housing. What is the difference between the two of them? In terms of growing up there, is it much harder to make it in the projects?

Mr. AGEE. It is. I think so. I think it is much harder making it in the projects than it is like in an urban neighborhood where they have two-flat buildings surrounding us. Because in projects, you got people living on top of each other, and it is just so congested. You know, got people, it is just—you got really substance users, you know, urinating in the elevators, in the stairwells. You got some guys using drugs on the stairwells, and you do not have that in your own house because you have keys and a door to your lock—I mean, to upstairs and downstairs.

So, I mean, I can say you got much more freedom than you have in the projects.

Chairman LAZIO. How many families were in your building?

Mr. AGEE. We just had two, just the landlord on the first floor and we stayed on the second.

Chairman LAZIO. So you think in terms of exposure to the sort of negative elements and public safety and things like that with both children and older people, the fewer the people, the fewer the families living in a building, generally the easier it is for you to survive, particularly if you are someone who is older or a young child, is that true?

Mr. AGEE. Right. I do not think that the projects at the housing is fit for any of the senior citizens because, I mean, some senior citizens cannot walk up the stairs. Some of the elevators are broke, and then you know, you got—most senior people need to be around places that are close to them like the pharmacy, the supermarket. You know, they might not have a car. So, I mean, loading all those bags and things of that sort up in the stairwells and elevators. Then, in the process of hopefully not getting mugged, you got to deal with all those answers coming at you. So, I would say it is real bad for the senior citizens to stay there.

Chairman LAZIO. How about access to decently priced stores and services like banking and other community services? Is it easier to live near those kinds of things if you are in section 8 as opposed to the projects of public housing?

Mr. AGEE. Now that is where I think it is the same because on every project in every two-flat building, there is a liquor store on the corner or a restaurant. And that is on every corner. It is like, you may have, you know, your Walgreens' or your Jewels on the big streets like Madison or Washington or something like that. But in the little areas that they live in, there is always liquor stores, churches and just bought out restaurants like that.

Chairman LAZIO. Is it difficult to get a job if you are young?

Mr. AGEE. I think so. I think it is very hard because I see a lot of kids now, I mean, they had no choice to work at McDonald's. I mean, most of the kids they start selling drugs. Then, they drop out of school. Then, they find out their life is messed up, so they want to try to go work at a Burger King, McDonald's or KFC. This is not—they may have two or three kids. That is not enough job to raise three kids off of or anybody.

Chairman LAZIO. Is it more difficult in the projects than you think in section 8?

Mr. AGEE. I think it is very hard because if you try and go and apply for a job, I think, and you put down that I live on such and such and such, people—I don't care what nobody say, I have friends

that tell me this, people are going to look at your address and see where you live. They are going to say well—they are going to ask you in probably for another interview, and ask how your character is and why, you know—they might not ask why you are living in these kind of standards, but they might want to get to know you as a person because all people that live in the projects are not bad and they are not nasty or infected or things like that.

Chairman LAZIO. But you think you have to overcome that, as another challenge, another barrier living there?

Mr. AGEE. Yeah, it is.

Chairman LAZIO. One of the things we are attempting to do in the bill we introduced was to enable people to graduate out of public housing. When the family comes in to sign an agreement, the family would agree to do certain things in return for getting our apartment. It may be making sure the kids go to school regularly. It may be going for training if it is available or day care.

Do you think that is a good thing to get people thinking that way?

Mr. AGEE. I think that is a good thing and I think it is a bad thing because you can bring it to some families and they will say yes, just to be happy to graduate from that housing. But you got to have the determination and the discipline for someone to stick with it. You know, to say like you said, make sure the kids are going to school, make regular checks, make sure it is clean. If you get more families like that that want a better life for theirself and their families, then I am quite sure it would work.

Chairman LAZIO. Do you think it just depends on the family or do you think there is some way you can create a system so that people are rewarded for responsible behavior?

Mr. AGEE. It is both. It is the system and the family. I say, all your discipline and all your ways come from what your mom and your dad teach you. So if my mom and my dad, I see them living nasty, you know, drugs and everything, I am not really much going to take heed to your proposition.

Chairman LAZIO. A lot of people that live in the projects, and even in other types of housing, have many other social services needs. Some people may need AFDC or food stamps, they may need healthcare. How tough is it to get all those things? Is it frustrating, is there a better way of doing it you think? Do you think that it would be a lot easier if you had one-stop shopping where a family went and could get all those services applied for in one spot?

Mr. AGEE. I think so. I mean, I think when me and my mom when we first moved over to our house, she would always have to go to different places to get this done and get that done. I just wished that it was just one big building to where, you know, she can just go in and pay all the bills and shop too. So, I mean—because I was getting tired—momma, I am tired of going on this bus.

Chairman LAZIO. Right, yes. It was tough for your mom, though.

Mr. AGEE. Yeah. I wish it was just one big building where everything was just there.

Chairman LAZIO. You are really into role models. Your mom, obviously, had a big impact on your life.

Mr. AGEE. Yes, she did.

Chairman LAZIO. In a very positive way. How important is that for other people, do you think, living in assisted housing or in public housing in the projects to have solid role models?

Mr. AGEE. I think it is very important because really you look around the housing, you say, who can be a role model around here? To me, every adult is a role model. When I was growing up, I would look at sports figures, Isiah Thomas, Michael Jordan to be my role models. But as I really got into it and got into my age and matured, my mom and dad became my role models because of the things that I saw and the things that they overcame as parents. And the things that they taught me to be as a better person. So I mean, it is nothing more than your parents to be a better role model to a kid or a senior citizen, you know, or any other person that are not living in CHA housing.

Chairman LAZIO. One last question about the safety of living in this type of housing, not only for seniors and kids, but families as well. Do you think that people who are disruptive, especially in the projects, but maybe even in other places similar to where you live, should it be easier to evict them if they are disruptive or do you think that is not that big of a problem?

Mr. AGEE. Well, if you want to get to the source of the problem really, get the problem out. I think you have to. I mean, if you—if someone is being rowdy and noisy and—I mean, just downright disruptive and embarrassing to the community that you live in, I mean, they got to be evicted to me. I mean, there are certain standards that some people go by and certain standards—rules that people live by. Just rules like that, I don't think no one should have to act like that.

Chairman LAZIO. So you think the standards and the rules are important for people to live by?

Mr. AGEE. I think so.

Chairman LAZIO. Because it brings some discipline to——

Mr. AGEE. It brings some discipline and some togetherness in the community, I think.

Chairman LAZIO. You talked a lot about jobs, having some discipline and having a building that is decent, but also having some sense of hope where you can get the training to get a job. Would you say that is important also?

Mr. AGEE. Yes, most definitely.

Chairman LAZIO. That sense of hope.

Great. Thank you very much.

Mr. AGEE. Thank you.

Chairman LAZIO. Congressman Gutierrez.

Mr. GUTIERREZ. Thank you very much.

Thank you very much, Mr. Agee, for being with us here this morning.

Mr. AGEE. Thanks.

Mr. GUTIERREZ. I really appreciate the kind of perspective that you bring to this hearing. You talked about the section 8 certificates. And the fact that, I think you called it a blessing, and certainly not one in disguise. A real blessing for you and your family.

Mr. AGEE. It is.

Mr. GUTIERREZ. And it was important, I imagine, because without it, it would have been difficult to live in that two-flat, and for your mom to get out of public housing.

Mr. AGEE. Right.

Mr. GUTIERREZ. So I just want to ask you some questions because people are going to ask you about your opinion. So I am going to ask you your opinion on something.

If you look at public housing, as you look at your friends, some of which you grew up with in public housing, do you think it is a good idea at this point to reduce the Federal Government's allocation of dollars for section 8 certificates if we are going to do something good about improving public housing? Do you think it is a good idea to eliminate and decrease the number of section 8 vouchers and the ability of what you found is a blessing in your own life?

Mr. AGEE. Well, if they are going to do that, they got to open up more jobs because I think if you are going to do that, then that is going to have make people go out and get a job and take care of themselves rightfully and discipline.

Mr. GUTIERREZ. Do you think it is a good idea, having grown up and seeing what you have seen, do you think it is a good idea if we are going to correct public housing and make it better so that situations can be better for the people, good people in public housing? Do you think it is a good idea to reduce the amount of dollars that we spend on 3- and 4-year-olds that live in those public housing projects so that they can get into Headstart programs and get an early education?

Mr. AGEE. I think so because of—first of all, they got to help the adults. The adults got to help themselves before they can help the children. And by them getting the day care centers and things like that, mom and dad cannot be scared to go out of the house to take them to them. So, you know, I think it would be good to reduce the dollars to get some goodness in there, and then maybe increase it back up. I do not know.

Mr. GUTIERREZ. Do you think we should increase or decrease the amount of money that we spend on day care and Headstart programs and public housing?

Mr. AGEE. Well, I think they should increase it, I think.

Mr. GUTIERREZ. What about job training? You said people need jobs.

Mr. AGEE. Yeah, increase that too.

Mr. GUTIERREZ. Do you think we should increase job training? Do you think that that is a good way of looking at the issues and the problems of public housing and resolving the issues in terms of job training and job training dollars?

Mr. AGEE. I think so. But the people got to be willing to come too. I mean, you just cannot be increasing things and no one is giving 150 percent. That is just a waste of increase.

Mr. GUTIERREZ. Let me ask you then. You went to college.

Mr. AGEE. Yes.

Mr. GUTIERREZ. Do you think it is a good time, as you look at people in terms of public housing, do you think it is a good time to decrease the dollars and the availability of college loans so that those people who wish to go to college will be able to go to college, given the kind of poverty that exists in public housing?

Mr. AGEE. Those that want to go, I think, because you do not find too many people in CHA housing coming to college, I do not think. I mean, I am being honest and truthful when I say that. There, I do not think so.

Mr. GUTIERREZ. Do you think it is a good time to decrease the amount of dollars for college loans and the availability for college loans as we look at public housing?

Mr. AGEE. I think so, yes.

Mr. GUTIERREZ. We should decrease the amount of college loans?

Mr. AGEE. If they do not graduate, I say decrease it.

Mr. GUTIERREZ. OK.

Mr. AGEE. You are not going to go to school for nothing.

Mr. GUTIERREZ. But those kids who want to go to college, do you think they should be given the opportunity to go to college?

Mr. AGEE. Yes.

Mr. GUTIERREZ. And you think college loans should be made available to them? So do I. Because as I look at the kinds of problems and the kinds of issues that you raise, and you bring a very interesting perspective, we believe that people should want and have a desire to improve themselves.

Mr. AGEE. Yes.

Mr. GUTIERREZ. Do you think that we, as a society, have a responsibility to afford people the opportunities to do those kinds of things?

Mr. AGEE. Yes, we do.

Mr. GUTIERREZ. Because I see that you had a great mom and a great dad and you talked about your friends that lived in the public housing, and as I look at them and I look at the educational system and I see the kids and you are probably seeing the same schools with broken windows, heating systems that do not work, school teachers with no papers and no pencils, 30 to 40 kids in a classroom, kids who do not have a Headstart program. Then, they go to high school. Then, they go to high schools that are pretty much in the same shape. And at this particular time, just so that you know within the overall plan, there is a decrease in dollars for those public school systems. Those very public school systems that will give young men and women the kind of opportunity to look forward.

So, I look at Headstart programs and see 3- and 4-year old kids, you know, 3- and 4-year old kids, you probably experience the same thing, they do not know of any the malice. You know? They are so pure and good, and they are ready to be formed at a tender young age. I think of public housing and all the kinds of things, and I think of the parents trying to get a job and trying to get out there. I think of them worrying about their 3- and 4-year olds. And as we look at public housing, I think it is probably important that if we are going to improve the quality of life in public housing, then we have got to look at who is going to take care of the kids when the people go get the jobs and go out there and work.

You said that people were afraid to get out of public housing and to move on to a job. I do not want to put words, you can tell me it again, I would like you to do that, because they are afraid of losing the benefits, the food stamps and the kinds of benefits that they are getting.

Mr. AGEE. Yes.

Mr. GUTIERREZ. Could you just elaborate a little bit on that?

Mr. AGEE. It is just—I mean, the teen pregnancy rate in this country is unbelievable. And I think that—I have known teenage mothers that have two and three kids, and they are getting like $400 a month in cash and almost $300 in food stamps. They are thinking to themselves, well, you know, I am not going to work. If I were to get a job, they are going to take my income away again, and I am really going to have to—and that is how it is. Sometimes you have to go out there and get a job and get off welfare, and finally say, well, I am just going to have to sacrifice and suffer for awhile and hopefully that this job will get better for me.

Mr. GUTIERREZ. Do you think that if there were more Headstart programs and child care programs, it would be better for those kids and make the road more available to those people to get off of welfare?

Mr. AGEE. Well, how many Headstart programs is there?

Mr. GUTIERREZ. That is the problem, that we are reducing them. How many Headstart programs did you see when you were growing up?

Mr. AGEE. I did not see that many.

Mr. GUTIERREZ. That is true.

Mr. AGEE. I got two 3-year-olds right now that is in Headstart.

Mr. GUTIERREZ. That are in the Headstart program?

Mr. AGEE. Yes.

Mr. GUTIERREZ. You know, I have a lot of kids in my neighborhood, probably a lot like the neighborhood that you grew up in, and a lot of parts of my district are just like the neighborhood. Every year hundreds of mothers and fathers take their kids to local schools, and they try to enroll their 3- and 4-year olds. They try to do what you say they should do. You say they should move ahead, take care of their kids. We talked about Chairman Lazio asking you, do you think if we set up a contract where you send your kids to school?

Mr. AGEE. Yes.

Mr. GUTIERREZ. Well, we are going to set up a contract and we are going to say to someone, if you send your kid to school, and you think it is a good idea? Obviously, you have been responsible enough to put your 3-year-olds in a Headstart program. That is probably a good idea, we should all enroll. But it is unfortunate that there are not the slots. That thousands and thousands of moms and dads each year in the city of Chicago go to their local schools with their 3- and 4-year olds and say, please, I would like to enroll them in a Headstart program. You know what they tell them? There are no vacancies. There is no place for that 3- and 4-year old.

I think that that is important as we look at public housing in developing that contract. That if you are telling someone, you got to get a job, you cannot say sign this contract, you got to get a job. On the other hand, reduce the amount of dollars for job training so that person can get a training to do something other than go to McDonald's or KFC. You have to get training. You have to have education so that people can say, "Hey, I want to fulfill this con-

tract. What do I need to fulfill this contract? Well, I need these other kinds of things to fulfill this contract."

So, you know, I think you bring a very unique perspective and I am very happy you were here this morning because you talk about the person doing for himself.

Mr. AGEE. Right.

Mr. GUTIERREZ. And the person getting out there and having the desire. I think the people need to have that desire, and at the same time, I think if I am telling someone this is what you got to do, I cannot turn my back on that person and say, I am going to reduce Headstart when I tell you to do that. I am going to reduce job training when I tell you to do that. I am going to reduce the availability of healthcare so you can keep your kids healthy in your neighborhood. I am going to say, you know, college loans to those people, young men and women, who want to go to college, you know something, I am going to reduce that, but I want you to fulfill this contract. I want you to do better, but just so you know, you are on your own. Because all of the things that you need to do better, I am going to make sure those opportunities are reduced.

Thank you very much, Mr. Agee, for being here this morning.

Mr. AGEE. Thank you, sir.

Chairman LAZIO. Congressman Weller.

Mr. WELLER. Thank you, Mr. Chairman and Mr. Agee. Thank you for taking time to be with us. I want to commend you, not only on your message, but your commitment to your community.

Mr. AGEE. Thank you.

Mr. WELLER. I wish your mother was with you. We would all like to meet her. She sounds like a wonderful woman and what she has done, the opportunity that she has given to you, she really deserves a pat on the back and all of our respect. I wish she could have been with you today just so we can meet her. I know she is very proud of you in what you have achieved, and we are very supportive of what you have accomplished over the years.

Kind of building on what my friend, Mr. Gutierrez said, I think he really pointed out that economic opportunity in jobs is so very important for people in assisted and public housing to have the opportunity to move up the economic ladder and become home owners themselves.

I represent the southeastern part of the city of Chicago and the south suburbs. One of the frustrations that we have is that our current public housing policies have essentially concentrated poor people together where there are no jobs. It is not fair. It not fair to poor people and it is not fair to the community. So many of the reforms that Chairman Lazio and others of us are working to achieve is to, of course, provide that economic opportunity and give poor people the opportunity to move up the economic ladder.

One of the frustrations I think that you shared from your comments, Mr. Gutierrez, was the frustrations essentially of our current public aid and welfare system, that the incentives are in the wrong place. I was stunned, I am one of the freshmen, I was just elected last fall, but when I learned that we spent $5 trillion dollars the last 30 years on our current welfare system, and as you pointed out just with your statements, we have more children in poverty than we had 30 years ago, even though we have spent all

this money. We have higher rates of teenage pregnancy. We have higher rates of juvenile crime. So our current welfare system is not working, and just like with housing reforms, we have to find a better way.

Particularly, as you stated, you emphasized family responsibility and work as being so very important to move up the economic ladder. I think one of the commitments we all want to have is a bi-partisan effort to change programs that are not working to give people opportunity.

Some of the questions that were brought up, you mentioned how your mother was frustrated having to go to several different offices to obtain help and assistance.

Mr. AGEE. Yeah.

Mr. WELLER. You know, with job training to help low income families get the experience and job training, there are 150 different job training programs in the Federal Government today. You can imagine how confusing that is, and the lack of coordination in the Federal Government. We are committed, of course, to making things not only more efficient but making those programs work together.

I want to report that the House passed just last week, the Careers Act which received overwhelming bi-partisan support. Cardiss Collins here from Chicago, and many of us were actively involved, as was Mr. Flanagan, in putting that legislation together to streamline and consolidate these programs so they can do a better job. Providing job training and assistance to young people, in particular, and those who are in need of jobs.

Also, on the issue of Headstart, you know, I noted previously that the creator of Headstart which is a wonderful program. I have Headstart in my district and the opportunity it gives young children, particularly, low-income young children. It is a great program, but the creator of the program has grown frustrated with how the program has developed, and has stated that Headstart with the direction it is taking, that there are some problems with the program in the budget effort this year.

Of course, we are trying to live within our means just like your family. I noted the Administration requested about a 40 percent increase in funding for Headstart, but they also proposed only increasing the number of children that can participate by about 10 percent. The direction we have seen is, essentially, most of the money is the same as with the CHA and with many welfare programs. The money goes to the bureaucracy, to the bureaucrats and to the employees of the program rather than to help the kids.

We are very committed to making Headstart, make sure the resources go to the kids to help the kids rather than to the bureaucrats. That is an important change that we need to make. Also, you were asked about student loans and opportunities particularly for low income people to have a chance to go to college.

I just want to report to you on the budget this year, that we over the next 7 years will be increasing the volume of student loans by almost fifty percent. We are also increasing funding for Pell grants and Pell grants, of course, are direct grants to low income students to help them go through college at no cost, and to give them that leg up the economic ladder.

So when it comes to Headstart, job training and student loans——

Mr. AGEE. I received all of that when I was in college.

Mr. WELLER. That is right. And it was a help for you. We are committed to making those programs work better to make sure the resources go to the people who need the help, and not to hire more bureaucrats and not to have fancy offices, but to help kids. I think that is very important, just to share that with you so you know the direction we are heading. I think that is consistent with the emphasis on family and responsibility and work and job opportunities with what you were saying.

But one point that I wanted to ask you about, and when I visited with Chairman Lazio and others early this year, some of the CHA projects here and in Chicago, we had an opportunity to talk with many residents. I have since visited several of them again to talk with residents. The issue of security and public safety in CHA projects comes up time and time again. You mentioned that in your testimony, particularly the gang bangers, the drug dealers and the threat that CHA residents, particularly families and the elderly and children, face as a result of that.

From your experience, and I recognize that you did not live in a project, but you had friends so you probably spent plenty of time in the projects: Security. Do you feel that the level of security, as you were growing up, the security that was in place, the hired security, the Chicago Police officers that were around, were they effective in dealing with the drug dealers and the gang members that were threatening people?

Mr. AGEE. I say they were not. I mean, some of the houses hired security officers because of the drugs that are being sold, they are letting it—you know, they are like. Drug dealers are paying them off so they can sit out there and sell drugs. And the security officers are not saying anything.

Mr. WELLER. So you are saying the security officers are bought off by the gang bangers and drug dealers?

Mr. AGEE. Yeah, they were. I mean, I have seen it. I know some. I know some drug dealers that paid some of them off, you know, so they can set up shop or set up work out in the back or anything. It is real—if you look at that, what kind of safety do you have, if anything? They would be saying, anybody can bring a gun up and kill somebody on the third floor if they want to. The security officers are, "I did not see anybody".

Mr. WELLER. So heads were turned the other way?

Mr. AGEE. Yeah.

Mr. WELLER. Now, it is my understanding, the Chicago Police Department has increased their numbers of police officers, does that help?

Mr. AGEE. Yeah, it has. I mean, they patrol all the time. I mean, they even patrol around my neighborhood and it is no project. They are doing—I say—first of all, I am thinking that the police probably live in my neighborhood now because how much they be over there. But I think the CPD, they have picked it up a little bit.

Mr. WELLER. So the increased police presence has helped?

Mr. AGEE. Yeah, it has.

Mr. WELLER. Are there ways that the tenants, the residents themselves could help with security? Have you seen any examples of where tenant involvement in some way has helped improve public safety and security for residents?

Mr. AGEE. I know in my neighborhood some—most workers and most people living on my block, if they see any drug transaction happening, they call the cops. They call—this one lady, she calls them all the time. She tells them who is selling it and what they have on and things of that sort. I think that is good for her because she doesn't want them selling drugs in front of her house and on her block and in the community anyway. So I think if everybody on the block pick up the phone and say, there are drug transactions being processed in front of my house or around the corner, who knows?

Mr. WELLER. It is Cabrini Green, there is one building which essentially is managed by the tenants themselves, and they have tenant patrols, and tenant residents who are very active in being out on the playground amongst the kids and around the building. And of course, even residents who stay in the elevators at all times to provide any additional level of security and scrutiny and watching. I am trying to remember which building this is. 1230. Have you been in this building at Cabrini Green?

Mr. AGEE. No, I have not been in that building.

Mr. WELLER. Do you think that would make a difference? You know, you are talking about drug dealers, someone using drugs in the stairwell or in the elevator. The residents felt more comfortable being out of their apartments, and were out on the playgrounds and walking the halls and using the stairs and the elevators a little more visibly. Would that help, do you think?

Mr. AGEE. I think so, but this is the first I heard of that. The tenants their own is patrolling. If they are doing that, the drug dealers and the gang bangers, they are respecting them. They are respecting them for that. If they are out there, you know, I mean—the parents they know the crime, what will happen if they are out there confronting the drug dealer. If they say like, you are not going to sell anything here. You know, most gang bangers and drug dealers walk away from it because they think it is petty to them, you know, for them to sit up here and argue with a tenant that lives in a building that she is out here protecting and letting her children play.

Mr. WELLER. So they show more respect for the residents who say, "You should not be here".

Mr. AGEE. Yeah.

Mr. WELLER. Than they would say for a CHA security guard?

Mr. AGEE. Yeah, they would. But they will just go to another building and infest that with drugs too.

Mr. WELLER. Let me ask this, it has been about 6 or 7 months since HUD took over the CHA. In your experiences looking over the past year, in general, have you noticed a difference as the HUD takeover, the CHA over the last 7 to 8 months, has that made a difference in the lives of the residents of the CHA, anything noticeable?

Mr. AGEE. I have not seen any. Probably just more—I mean, more people moving out of the projects and moving into like two-

flats or trying to move like out of the Bellwood areas, Maywood areas, or out more to the west suburbs, I think. But mostly, HUD, they do not take them out there.

Mr. WELLER. But as for those who are still in the projects, have you noticed a difference?

Mr. AGEE. No, I have not.

Mr. WELLER. Do they feel more secure? Do they feel that their plumbing is getting fixed quicker? Are the elevators operating on time?

Mr. AGEE. I do not think so.

Mr. WELLER. You do not see a difference?

Mr. AGEE. No.

Mr. WELLER. All right. Mr. Agee, thank you so much. I look forward to getting to know you. I really want to commend you on your efforts, and the organization that you are starting to develop role models for the community. Any assistance we can be, I want to commend you.

Mr. AGEE. I want to reflect on one situation that I was saying that when my mom had to—you know, wishing there was just one building where she can pay her bills? Well, one time, she had missed an appointment with the welfare office. And they cut all of our lights off. They cut off welfare. She did not receive a welfare check for 2 months. So we were out of lights and heat, this is in the winter time, for 2 months. But I did not go out there and sit on the corner and sell drugs, we called—we had relatives. I mean our friends. They helped us out and we got everything back on while my mom went down there to straighten everything out with the welfare office. It was just—just thank God that he came into our lives and he blessed us with those people. And those nice people that did, that I will never forget that.

That was a dark period in my life, I was not going to say to myself, "Well, man, we need money bad". When things go wrong in people's lives like that, they think the first thing they have to do is go do illegal things. I mean, I was mad, but I mean, no lights, no heat. We made the best of it, and me and mom, my sister, my little brother, we stuck together. This was when my dad was on cocaine, crack, this is when he was a crack addict. He was out in the streets and he had left the family. So it was hard, but we made it through.

Mr. WELLER. And you kept your faith?

Mr. AGEE. Yes, we did.

Mr. WELLER. A strong faith makes a difference.

Thank you, Mr. Chairman.

Chairman LAZIO. Thank you Congressman.

I want to thank you very much, Arthur. You really brought a picture for us that we will bring back to Washington. It brings meaning to this whole discussion that we are involved in right now involving public housing, projects, section 8 and what we can do to help some of the people that are struggling to pull themselves out from there.

So, you were very helpful.

Mr. AGEE. Thank you.

Chairman LAZIO. I also want to ask how the CBA try-out went.

Mr. AGEE. I got invited back.

Chairman LAZIO. Great. Congratulations.

Mr. AGEE. Thank you.

Chairman LAZIO. Thank you very much. I appreciate the time you have given us.

We are going to break for about 2 minutes. The committee will be in recess for 2 minutes as we change the panel. The other panels will come forward.

[Recess.]

Chairman LAZIO. The subcommittee shall come to order.

I want to thank what is an outstanding panel in panel two for making time out of their busy schedule to be with us. For several of you flying in from other parts of the country, especially Mr. Lucas in from Newark, and Ms. Gaffney in from Washington, we thank you very much. Of course, we appreciate the city officials and Joe Shuldiner being with us here today.

I want to introduce the panelists who are here. Many of you do not need an introduction. Joe Shuldiner who is the Acting Chairman, Chicago Housing Authority, Board of Commissioners and Assistant Secretary for Public and Indian Housing from the Department of Housing and Urban Development. Welcome Joe.

Susan Gaffney who is the Inspector General of the Department of Housing and Urban Development.

Harold Lucas, who is the Executive Director of the Newark, New Jersey Housing Authority.

I think we are soon to be joined by Ambrosio Mendrano who is an alderman and the Chairman of Committee on Housing and Real Estate, city of Chicago.

Rosanna Marquez, who I had the pleasure of meeting last time I was in Chicago, is the Director of Programs for the Mayor of Chicago. Welcome.

I think all of you have submitted written testimony that will be included in the record without objection. So ordered. If you care to summarize or read part of that, we are going to ask each of you to make a statement. Then, we will open it up to some questions.

Joe, I know you have had a challenging experience here, and the early feedback has been that you have attracted a great deal of respect and there is a good deal of hope in terms of what you are dedicating yourself to. I know this is a problem of breadth and depth that may be unmatched in any other city in America. I give you tremendous credit for deciding to take this path, and for making a statement by doing this the situation is not hopeless. I would like to begin with that.

STATEMENT OF JOSEPH SHULDINER, ACTING CHAIRMAN, CHICAGO HOUSING AUTHORITY BOARD OF COMMISSIONERS AND ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HUD

Mr. SHULDINER. Thank you, Mr. Chairman. I want to thank you for inviting me and for coming again with the members of your subcommittee, and Mr. Flanagan earlier. I really appreciate the emphasis and commitment that you and your subcommittee have given to public housing, and primarily to large troubled public housing. We certainly look forward to working with you in terms of improving the legislative environment in which we work.

I would like to point out, although it certainly seems like 7 or 8 months or longer, we have actually only been here 4 months and 1 week, having started May 30.

Let me just say that in some respects coming to Chicago gives me the opportunity to, in effect, practice what Secretary Cisneros and the department and I have preached over the last several years. Recognizing that we have to make significant differences in what public housing is and how it delivers it services, at least for the troubled public housing, and in some respects for all of it.

I am pleased by the fact that in the 2½ years I was with HUD, and my service ends tomorrow. So, I am still here as an employee of HUD. That we have attempted to address a number of the more tractable public housing authorities. We did not always have someone like Harold Lucas to work with, so we had to be a little bit more directive.

And just to give you a quick sense, in each case our approach varied somewhat. In Philadelphia, it was really getting the Mayor and the City Council President involved in the District of Columbia. It was first working with them there, Kelly, and then eventually negotiating with Mayor Barry to bring a receiver into the authority, and now here in Chicago where we have taken our most impressive action, and naturally did a takeover.

Again, what I said before this subcommittee last time, the challenge, that is the Chicago Housing Authority, is two different challenges. You have spoken to questions that you asked of Mr. Agee, and your statement really speaks to both of them. It is important to understand that they are different.

One is getting the housing authority to function as an organization, to deliver the services it is supposed to deliver. And the second is to recognize that even if the housing authority was doing the maximum that it could do as an organization, there are geographic, demographic, sociological problems that need a solution beyond just that are delivery by the housing authority. And that gets into issues of redevelopment, but it also gets into the issues that you are attempting to address in your bill.

We cannot have rules that discourage people from working. We cannot have rules that end up with very low income people concentrated together and isolated in neighborhoods. I certainly want to applaud you and your subcommittee for attempting to address some of those, and in effect, hopefully your bill and the one that will come out of the Senate, just go to having a system where people can make common sense practical decisions on property management and be able to deliver a product.

Here in Chicago, we are just speaking a little bit to the first point, we have attempted to be aggressive. People have expectations of certain turnarounds, and we appreciate the fact that everybody, in fact, wants this thing to improve. We have found terrific support in the sense of the residents and the population in Chicago and a desire to make things different, and to improve the living conditions. What I would just remind people is that, this is still a fairly unusual step for HUD to take. We took it here because the housing authority truly is dysfunctional. It is dysfunctional in virtually all of its aspects. So it is nice to say, well, we are here, now everything will work on the assumption that I will just tell some-

body to do something, and it will now happen. But if they are not trained, if they do not have supervisors, the supervisors are not trained, if there are not supplies, if there are not ways of securing supplies or delivering the supplies, those things just do not get done. And it is really a question or a matter of fixing each one of these component parts in order to achieve an end.

With the exception of relating to one of the key aspects which is the allocation plan, I'd rather not go into accomplishments now unless you ask it of me. But basically, we have to make the housing authority stable and functional.

The second thing which I talked about, the redevelopment and changing the community, if you will, that is public housing in Chicago, we are dealing with buildings that were poorly built when they were built. I mean, design just that beggars the imagination in the sense that, elevators were built external to the buildings. And a fortune was spent just encasing them, but still the stairways are external. The standpipes are external which means that those pipes that bring the water to the upper floors to deal with fire are outside.

Well, in the winter they freeze, and they are useless. The exterior walkways which create all kinds of problems, in addition to what the residents have to walk through them in the winter, but for safety reasons, they then become encaged and make the buildings look like prisons. This does not even get into the lead paint problem and the lack of accessibility for disabled.

These are buildings in which we literally have to spend tens of thousands of dollars before we ever got to the condition of the apartment itself. Those are things that we have to take into consideration. It is one of the reasons why I did make the public statement to the extent that we have money. We want to focus more on maintenance and doing the things that make life more bearable, but also on redevelopment rather than major renovation of the existing stock.

Just by way of background, Mr. Lane talked when he would talk about the future of CHA and its 40,000 units, he anticipated demolishing about 20,000, half of the units, rehabbing the balance of the 20,000 and making them mixed income. So half would be public housing and half would be either market rate or lower income working family, a la Lake Park Place. Because the one-for-one replacement was before then, he would have to in effect replace 30,000 units, the 20,000 he demolished and the 10,000 that existed are made available for non-public housing people. That plan would have cost at least $5 billion. Obviously, it was beyond anyone's capacity then, and it is even more so, but we have to start making in-roads. I think we have to be successful in getting to make inroads.

Some of the specific things, I would like to mention. I appreciate the position that Mr. Flanagan and his co-sponsors have taken. I think attempting to address the problem of the mixed populations and senior housing by going after the problem which is the people who are recovering drug and alcohol abusers, rather than willie-nillie casting all disabled people in the same boat, and saying in effect, they all have to go when we know that disabled people are among the more vulnerable populations, the ones that find it most

difficult to find housing. That presents a real problem. I appreciate the fact that he has really focused, the bill really focusing on what is the problem.

It should be mentioned that the disabled living with the elderly was the law for 10 years before the definition of disability was expanded to include recovering drug and alcohol abusers, and we did not have the problems that we see today.

I appreciate your support of the industry and the concept of accreditation. I think that is an area that makes a lot of sense to approach. Let me just, as I said, the one area I would like to talk a little bit about, what we actually have done is the mixed housing issue.

First of all, we have already changed the eviction policy. CHA, for whatever reason, made it more difficult to have evictions in senior buildings. Probably a mistake in the idea that they were protecting the more vulnerable population from a negative outcome of being evicted. So that policy was changed in one of the first public meetings that we had.

And in addition to that, we supported that, and it is important to not just say things, but to actually do them. We supported that by having the attorney assigned full-time to just deal with evictions in senior citizen buildings. And I am pleased to say that to date, we have already evicted 44 households in these senior buildings. That compares with virtually zero for the 2 years previous to that.

We have begun to train managers on lease enforcement because no matter what the law is, the key to good management is good managers, and good management itself. And so, we have tried to begin training our managers to be sensitive to the problems of the elderly and disabled in these meetings. In addition to which, we are attempting to address our overall occupancy standards in terms of what the policies for who gets in, that goes forward in this.

On a personal basis, I have attempted to, I have met with the Eckert and Greenview advocates, and we are trying to work with them to support the kinds of positive things that they are doing for the population.

Let me just lastly say that, as we committed, a draft plan was in effect brought to the Executive Committee at its last meeting. We gave ourselves until tomorrow to submit the plan, we are probably going to miss by a couple of days, but the plan will be submitted to HUD. We believe that it meets the requirements of the law, and that we are hopeful that HUD in fact can approve it. And then, of course, down the road, we are going to have to look at the other 38 buildings that are not part of the plan.

Let me just in closing say that I am actually excited by the challenge of Chicago. I really look for the opportunity, as I said, working with the residents. And the people of Chicago seem especially supportive. I appreciate the good wishes of the panel members, and others. I feel confident that I am leaving PIH in good hands with Mr. Margeman who has run a housing authority himself. And of course, got some tests by fire here in Chicago for a few months. And I just look forward to working with the panel.

Thank you very much.

[The prepared statement of Mr. Joseph Shuldiner can be found on page 70 of the appendix.]

Chairman LAZIO. Thank you very much, Secretary.

Madam Inspector General.

STATEMENT OF SUSAN GAFFNEY, INSPECTOR GENERAL, HUD

Ms. GAFFNEY. Thank you, Mr. Chairman, and members of the subcommittee.

If you cannot hear me, let me know. Would you?

Chairman LAZIO. Can the people in the back of the room hear the testimony? Maybe a little bit closer to the mike. Thanks, great.

Ms. GAFFNEY. You asked me today to talk about three things. One, progress in HUD's takeover of CHA. Two, the relationship of H.R. 2406 to the needs of large troubled PHA's. And three, the problem of mixed populations.

With respect to CHA, we do not know what progress has been made. We have, as you know, had many reservations about this takeover, and whether it would work. We have made a deliberate decision to not look over their shoulders and find fault, which I am sure we could do if we wanted to. But we decided to give them some breathing space. So, we have not done any audit work. We are going to start a major audit of the maintenance function in December or January. The reason we are looking at maintenance is, we agree with Joe that it is the critical issue. It is also an area that we audited in 1992, so we have a benchmark to work from.

With respect to the relationship of H.R. 2406 to the needs of large troubled public housing authorities, you know that we have for more than a decade chronicled terrible problems in large troubled public housing authorities.

Joe Shuldiner is correct that there has been some movement in the last years. Joe set up the office of severely distressed and troubled public housing. We had the takeover in Chicago after 15 years on the troubled list. D.C. was put in receivership. There have been some 4,000 units demolished since April. I think that is about the right number.

But throughout this period, we have consistently said that until you change the whole context of our approach to large public troubled housing, these types of actions are not going to really change things. And when we talked about changing the context, we said two things needed to happen.

One, Congress had to act to simplify and reduce requirements on PHAs that were performing well. And two, HUD had to get its act together. HUD had to marshall its resources, be willing to stand up to political interference and influence, and be willing to act decisively. It seems to me that in H.R. 2406, you have essentially met both of those conditions. I applaud you. You have done a whole series of things that we have been recommending for a long time. The elimination of one-for-one replacement requirement. The elimination of Federal preferences. The consolidation of funding into block grants. The ability for PHAs, who are good performers, to act with flexibility and independence. Facilitating mixed income populations. Merging the certificate and vouchers. These are all things that we have been recommending for years, and it is truly heartening to see it moving forward.

But you have gone well beyond anything we recommended in proposing the Housing Foundation and Accreditation Board. We

support you in this for a couple of reasons. One, if you do it right, maybe we can get the politics out of what is not supposed to be a political business, which is running public housing. And two, this Board clearly changes HUD's focus into dealing with troubled public housing rather than micro-managing all public housing authorities. So again, we applaud you.

We have a few concerns, and we are going to be dealing with your staff about them. They have to do with how the Board is made up, and its role; the targeting of assistance; and the block grant allocation formula. We will make sure that you know what our concerns are.

Overall, I think H.R. 2406 is a major step forward. However, I would like to echo Mr. Agee's comments and tell you that unless we address the violent crime problem in public housing, all of this policy change is going to be for naught.

In fact, the problem is not just mixed populations in public housing, it is violent crime in public housing which is a bigger issue than mixed populations, although mixed populations is an integral part of it. I think every police department in this country knows that public housing is a major, if not the major locus of violent crime in this country. And unless you can solve it, we are not going to be able to move forward.

The Office of Inspector General, in February 1994, started something with the backing of the Administration called Operation Safe Home. What we did essentially is realize that in many localities in this country, the police and the housing authorities do not get along. The housing authorities blame the police, the police blame the housing authorities, but we do not have cooperation, collaboration.

The second thing we realized was that Federal law enforcement generally did not even know what public housing was. They did not recognize it. They just saw bad housing, and they called it projects. They had no idea about the tremendous Federal investment that needs to be protected, nor did they have any idea about the amount of Federal funding going for drug elimination grants, for instance.

So, our purpose was to try to bring these people together, to bring Federal law enforcement to a focus on crime in public housing, to get law enforcement and the housing authorities and the residents working together to do both enforcement and prevention.

And, in the process, we have learned something. There are two big schools of thought about crime in public housing. There is a school of thought that is represented in some state courts, and by some executive directors that considers public housing to be housing of last resort. This is where you put people who cannot really function anywhere else, and whom no one else would take. If you want to get over that hurdle, if you want to make public housing into housing of opportunity rather than housing of dead end, then you need to send a strong message in this bill about violent crime.

In the course of doing Operation Safe Home, we have run into at least four legislative impediments to reducing violent crime in public housing. The first is in the area of witness relocation. The Marshals Service, you know, relocates only about 200 families each year.

Obviously, many of the prosecutions for violent crime have to do with incidents in public housing. About 2 years ago, Louis Frech, Director of the FBI, came to Secretary Cisneros and Joe Shuldiner and me and said, can't you people help me? You are the Federal department that runs all this housing. The witnesses that I need are living in that housing next to the perpetrators. I need to be able to move these people so they do not get killed and they will testify.

As a result of that, with Joe's assistance, we have been trying to facilitate witness relocations, and in fact, have done about 150 nationwide in the last 1½ years. The stories that surround these witness relocations are the worst of violent crime situations. But we have some real problems, and I will just give you a couple of examples.

There is one major housing authority in this country that has refused to assist us with any witness relocations. The reason is that the executive director of the housing authority has taken the position that it is not appropriate to relocate violent criminals from public housing. It is so much cheaper to keep them in public housing than to send them to jail. Thus, on behalf of the taxpayers, this executive director wants to keep them in public housing.

As a result of that philosophy, that housing authority has refused to assist us in any witness relocations.

There are lots of other housing authorities that have assisted us, but they are running out of certificates. They have loyalty to their own existing waiting lists and we are running into more and more problems.

As a result, we are asking you in your bill to consider allocating some part of the headquarters reserve for these types of witness relocations. I cannot imagine anything that would be more important in trying to reduce violent crime in public housing.

We have also been working with chiefs of police from around the country through the International Association of Chiefs of Police, trying to get them together with HUD and public housing authorities. Here is what the police in this country have to say about public housing. The areas that are fostering violent crime in public housing are inadequate resident screening, inadequate evictions, and mixed populations.

With respect to eligibility requirements, you have a provision in your bill that permits PHAs to establish occupancy standards that prohibit admission to persons with histories of illegal use of drugs and other substances. We think you need to go further. These public housing authorities are under a whole lot of pressure out there. If they want to do these things, they are sometimes pressured by people who think this is housing of last resort.

So, consider requiring this, not permitting it. Consider our suggestion that if a person cannot demonstrate that they have been free from use of illegal drugs within the preceding 12 months, then they are prohibited entrance. This would overcome a problem caused by defining "handicapped" to include recovering alcoholics and drug abusers. Do you know what it takes to become a recovering alcoholic or drug abuser? It takes 30 days in a detox center. Now, there are a lot of smart gangs out there who can figure out this system.

We are also proposing, as you know, that in order to better screen people, housing authorities be given access to the NCIC data which are Federal data on criminal convictions.

With respect to evictions, we need to do everything we can to facilitate them. Joe can tell you that evictions through State courts can take 2 years, 4 years, even when we are talking about violent crimes. In one of the public housing authorities last year, we had 1,769 Operation Safe Home arrests for violent crimes over a 12-month period, and not a single eviction action was taken by the public housing authority.

One of the things that we can do, you have done in H.R. 2406. There is no need, if there is due process available through State courts under State law, for public housing authorities to have separate grievance procedures. They do not have to do that now, but for reasons that Joe can probably explain to you that I cannot, they are doing it nonetheless. I think it goes back to this concept of public housing as housing of last resort.

HUD has made, in the American Community Partnerships Act, a proposal that I also think is very important. We have a situation now where, if a section 8 tenant is evicted, public housing authorities apparently feel that they have an obligation not to remove the section 8 assistance for that person, but to find that person other section 8 housing. You recently wrote to the Secretary about a situation like that. HUD's proposal says that, if a tenant is evicted from a property for one or more serious lease violations, then the funding must be cut off.

Now, with respect to mixed populations, remember what the police from this country say. Screening, evictions, and mixed populations are chief generators of violent crime in public housing today.

We have focused on this issue, not because of this hearing, but because of what the police have told us, what the executive directors in housing authorities across the country have told us. We were advised by some people, though, not to bring it up because the lobbies involved in this issue are so strong that the progress, what little has been made, will be reversed.

Joe Shuldiner is right: The problem is that the disabled have been defined to include recovering drug abusers and alcoholics. And keep in mind what I said, the gangs know that to get into that category, all you have to do is go to a detox center for 30 days and you are disabled. Then, you can go right into elderly housing. And elderly housing is pretty much the best of what we have.

So Joe is right about the origin of the problem, and we certainly are not saying that all disabled people are the problem. But this is a very complicated series of laws, and I truly do not know how you get at that issue because it is much, much bigger than HUD. And maybe it is OK otherwise, it just does not work when people have to live together.

So we have one suggestion. In 1992, a law was enacted that was a step ahead. It said that housing authorities could separately populate the elderly and disabled if they submitted an allocation plan to HUD and got HUD's approval.

You know, there are 3,400 public housing authorities. Since 1992, ten allocation plans have been approved. Ten out of 3,400.

The HUD regulations are viewed as so onerous that the housing authorities will not even bother submitting proposals. I do not know if the OIG's idea is the right one. But, as one step forward, we say to you, just take that 1992 legislation and let the housing authorities do it. Take HUD out of it. Do not even give HUD the opportunity to stand in the way through more administrative process and bureaucracy.

That is our proposal, and that is the end of my testimony. I thank you very much.

[The prepared statement of Ms. Susan Gaffney can be found on page 81 of the appendix.]

Chairman LAZIO. Thank you very much. I appreciate very much all the time and thoughtful input that you have provided to us.

Mr. Lucas, in from Newark, the East Coast. Thank you again for coming in. We are looking forward to your testimony.

STATEMENT OF HAROLD LUCAS, EXECUTIVE DIRECTOR, NEWARK HOUSING AUTHORITY

Mr. LUCAS. Good afternoon or good morning, Mr. Chairman, the panel, of course, and my colleagues on my left and right, and Mr. Shuldiner, a person that we have grown to know since we have come to the housing authorities.

I have submitted my written testimony, and I think it is pretty simple. I just would like to say a few things. Newark, New Jersey was one of the most, I think to get the words right, infamous troubled housing authorities in the country for a number of years. Starting in 1979 when the report card system came about, I think Newark failed every year up until 1993.

I would like to think that I had something to do with that, but I do not want to sound like that because it took a lot of people for us to change that system around. We were fortunate to have in Newark, a HUD office that finally listened to the Newark program. We brought in a new administration in 1992. We attacked the problems that Newark had that were not unlike Chicago's. I mean, if you come to Newark, you will see buildings that look exactly like the buildings on State Street, twelve stories, elevator, family high-rise, poorly designed, just monstrosities of failure.

The difference between Newark and Chicago is that Chicago has 40,000 units, Newark has about 11,000 units. But more importantly, Chicago's 40,000 units are juxtaposed against a population of about 4 or 5 million people. Newark's 11,000 units are juxtaposed against population of 275,000 people. So Newark has the infamous reputation of having the highest concentration of public housing in the country.

Notwithstanding that, Newark in addition to its public housing, has an equal amount, if not more, of other HUD-assisted housing. So we are talking about a situation in Newark, New Jersey where there is about 25 percent of the housing stock is assisted housing. That 25 percent of the housing stock houses about 35 percent of the population.

So we are well heeled with assisted housing in the city of Newark, and all the problems that grow or come with assisted housing seem to be for such a long time very, very prevalent in the city of Newark.

A challenge was presented back in 1992 that the Newark Housing Authority was on the verge of being taken over. It was in the middle of a lawsuit with the Low Income Housing Coalition who had sued the housing authority, and suggested that Newark could not run public housing, and they were probably right. The situation here, however, was that even with all of this assisted housing, Newark still had a waiting list of over 8,000 families or 9,000 families.

When we got to the Newark Housing Authority, we took a look and we found that a great number of people on our waiting list were not from Newark. We said, how could that be when Newark was supposed to be such a reservoir of need. And we looked even further after we found out that a good number, 25 or 30 percent of our waiting list did not have Newark addresses.

We also found that a lot of the families on the waiting list with Newark addresses did not live in Newark either. But Newark had this perception of having affordable housing, and so people who needed it, just funneled themselves into Newark.

We checked the area. Newark is the largest city in New Jersey. It is in a County called Essex. And when we looked at Essex County, we saw 27 municipalities. Only four had public housing. East Orange, New Jersey had about 500 units, Orange, New Jersey had 423 units, Irvington, New Jersey had about 600 units, and Newark, which was right next door had almost 11,000. Then we looked 3 miles away, Mountclair, Cedar Grove, Verona, West Orange, Roseland, Belleville, not one public housing unit, not one senior citizens' unit, zero.

So what happened, Newark became the magnet of all of this assisted housing. And with that came all of the other problems, as I said earlier. And we were criticized for that because we had this great need. We had this great chance or opportunity to try to fix it. It was not being fixed. When we came in 1992 someone said to me that I either was on dope or dogfood to come to take such a trying job.

I feel for my colleague, Mr. Shuldiner, but we know that Joe has tenacity, and I am sure the experience to try to turn public housing around in Chicago. Chicago probably has its best chance ever with Joe on its team to get done right.

But we saw that something had to be done. We went into Newark and we found that the Newark Housing Authority was not being run like a business. It was being run more as a social program, a missionary program. We looked and saw that the books and records, and the systems antiquated, manual, this, that and the other, staff unaccountable. Inventory, you could not check it. All of these things that no business, forget about public housing. Sears & Roebuck could not run if it was not run like a business.

So we took the position that first we had to take care of the business plan of the Newark Housing Authority before we got into the social plan. Most of the work done in Newark and other public housing authorities primarily are directed toward the social business, and it neglects the business business. It could never work because if you do not get the business right, you will never get the results right.

We were fortunate, and with the local areas offices' assistance, we put together an automation plan. We threw out everything, we brought in a new plan. We spent most of our first monies in getting computers, putting on-line our sites, writing programs, fiber optic cables. Books and records, ledgers, general ledger, inventory, these things all put on computer.

We are happy to say that we probably have one of the most sophisticated computer operations in the country whether it is public housing or not. Because of this, we were able to see for the first time where the problems were. How much does it cost to renovate a unit? Work schedules, where is the inventory? How much are you spending? How much are you not spending? What is your productivity? How much is all of these things that was so important for management. No one was able to get to that point because you just did not know. HUD would ask for a report. The manual systems took us months to get the report. When we gave HUD the report, the report was dated. Now, we are able to do these reports almost simultaneously with the request.

Now, how did we do that? We sat with HUD, the local office and said, we are going to do this your way. We are not going to do it our way. Let us take all your accounts, all your fundings, whatever you got. We are going to set our system up so when you give us $15 out of account 12649, we are going to have an account 14629, just like you have. Then, we are going to make sure that everything that we do comports with what you do.

HUD did not begin to understand that Newark was not an adversary anymore. Now, we are talking the same language. As we began to talk the same language, things began to work. Things began to work better. As things worked better, things happened. And we like to say that because it happened, we convinced HUD that we could do it. HUD was satisfied, we were satisfied. Now, we had a partnership. This whole term of public, private partnership is a cliche that has been played, and played and played over these last few years. But truly, it took a partnership with HUD for us to get to this point. But not just HUD, we had to convince the city fathers. We tried to take the politics out of it. We had to convince the business community who was very negative because all they saw in the Newark Housing Authority was a reservoir of tall, vacant high-rise, ugly, crime-breeding buildings that hurt their businesses, that hurt the image of the city, that hurt their bottom line. They were as mad with the Newark Housing Authority as many others. But we were able to get past that, and hopefully, we got the chance to knock down a couple of buildings.

This, in and of itself, was the beginning of how people began to see the new image of the housing authority. We got a few buildings down. As we got the buildings down, we thought that, yes, maybe things can change. We started building some housing. We had a grant from HUD for 1,700 units. These 1,700 units, not one unit had been built in the past. We now would like to say that we have built and occupied about 779 new units, and we have contracts out for another 300. We will be pulling out the balance of that 1,700 pretty soon.

Now, what did this mean? We took the position that these high-rise buildings needed to be eliminated totally. And of all of our

high-rise projects which most of our buildings were, we have been able to convince HUD that all but one now, which is pretty much occupied, can be and should be demolished.

Notwithstanding the fact that we had gotten sued by the Low Income Coalition that said, you cannot knock them down because of one-for-one replacement. So we want to make sure that we say today that if nothing else works in H.R. 2406, one-for-one replacement has got to be the lifeblood of the Newarks, of the Chicagos, of the Philadelphias. Because with that one-for-one business, we were caught in a catch–22. You had this housing that was failing. It should not have been built. Now, it needs to come down.

Newark, which is land poor did not have enough land to replace one-for-one. HUD did not have enough money to say here is the money to replace one-for-one. And then, we are at this impasse. Now, you cannot do anything. All you have to do is sit there with these buildings, crime infested, community busters, bad image. Terrible for not just the tenants, but the housing authority, the city of Newark in particular and the image of public housing around this country. I am sure when you see public housing there is a picture of a high-rise vacant building. Newark says, this is terrible. There is a picture of Cabrini Green. There is a picture of Robert Taylor homes. There is a picture of Philadelphia that says, this has got to stop.

Our position is, it never should have started. And now that we have, I think, in H.R. 2406 a great opportunity to make a change. And some folks were saying as we read through it, how can you do away with the whole act of 1937. Well, 1937 is a long time ago. And that legislation was written at a time when it did not envision the Cabrini Greens, the Scudder Homes, the Stella Wrights, the Robert Taylors, these other homes because they could not have. Because if you had envisioned that in 1937, they would have written H.R. 2406 then, as opposed to writing it now.

So we would like to say that H.R. 2406 goes a long way to helping both housing authorities and HUD. I could probably sit here and list the points by points that say, this is good or that is not so good or this is better. We think that the bill as a whole is certainly in the right direction, and that it is right on point with what is wrong and how it can be fixed. It can only be fixed through community involvement, through other social things that have to go. It is not a single issue. They are all together.

Another point, and I will finish after this, has just been overlooked so far is the family responsibility trend. I mean, it is just so clear to us that it has got to be. It is no excuses. There is no sugar coating it. There is no missionary words, no sermons that are going to replace family responsibility. We heard this young man, Mr. Agee, this morning who talked a little bit about that.

I have a story that I tell and it is usually my closing story. In the early 1950's, my mother, single parent, three boys, welfare was not around. I do not remember welfare back in the 1950's. There was a little thing called relief that you might get a ham on Christmas, or you would get a turkey or something once a year. That was the extent of the welfare that was available in our community. And we heard that they had built this new public housing.

In Newark, it was called Hayes Homes. And it was beautiful, high-rise. They had running water and heat, steam heat and elevators and we were like wow, this is great, not too far from where we lived, my mother bundles us up, took us downtown and went to the housing authority office. We sat there for a day filling out this application and filling out that application. And finally, they called us and they took us in. And it was very brusk. Where is your husband? How much money do you make? Fill this out. My mother said, I am single and this and that. We only make so much money. They said we will get back to you. A couple of days later we get this nice letter in the mail, sorry, we cannot help you in public housing. You are not qualified to live in public housing. What is ironic today is a young man who could not qualify for public housing, now runs it. So we found out early that public housing was a privilege and not an entitlement. And because of that thinking, we have been fighting long and hard that (a) people with need should get it, but those who get it need to be responsible for it. So it is important that that message gets sent out because over the last 20 years, that message has been lost.

Now, you can talk to anybody you want, that message has been lost. We have these debates today about what our rights are. We want to know what your wrongs are. We want to know what your responsibilities are. And whether it is a god send or not, the direction of the reduced funding now crystallizes this even more because now you cannot do it with entitlement, you are going to have to do it through responsibility. I think it is going to make us a lot smarter. It is going to bring us together. I think it is a great opportunity for public housing and troubled public housing in particular, to function because you got to function. If you do not, you got to go. If you want to stay in the program, you are going to have to be in the program. If you cannot stay in the program, the program now says that you must leave.

So I think that the responsibility is going to stretch across everybody's table, and it is not meant to say, it is good or bad. I think it is just the right thing, and I think the committee, and certainly those folks that helped draft H.R. 2406, were right on target. A lot of things that we have inherently believed have now been put in writing, and that we hope that this becomes a living document for both tenants and housing authorities and communities so that we can really help serve, not just solve, but serve the families that really need it. It is really not about the legislators or the mayors or the politicians or the big shots or the big mouths and those other people, it is about how do we actually serve the people that need it the most. We are happy to say in Newark that we are at the beginning of this journey. And with the help of H.R. 2406, we think we are going to do fine.

Thank you, sir.

[The prepared statement of Mr. Harold Lucas can be found on page 95 of the appendix.]

Chairman LAZIO. Thank you very much, Harold, we appreciate your remarks very much.

We have just been joined by Alderman Mendrano who I know had a scheduling problem, last minute emergency and I am very,

very happy that you have been able to make it. I appreciate the fact that you are here.

Would you like to have a moment?

Ms. MARQUEZ. Would you like me to go ahead?

Chairman LAZIO. Rosanna Marquez, who is the Director of Programs for the Mayor of Chicago, and has been very helpful in working with us. Welcome.

STATEMENT OF ROSANNA MARQUEZ, DIRECTOR OF PROGRAMS FOR THE MAYOR OF CHICAGO

Ms. MARQUEZ. Thank you very much. Good afternoon to the entire panel, and a welcome back to you Chairman Lazio.

I know Mayor Daley is sorry that he was not able to be here, but I can tell you that I know that he very much enjoyed his visit with you when you were here back last June.

Chairman LAZIO. So did I.

Ms. MARQUEZ. And he sends his greetings and me.

Chairman LAZIO. A good substitute, I might add.

Ms. MARQUEZ. Thank you. Among my other duties for the city of Chicago, I am now also the Mayor's designee on this five-person Executive Committee that is overseeing the work being done at the CHA.

I have been asked, with the backdrop of H.R. 2406, I have been asked today to tell of the story of the HUD takeover, as seen through the city's eyes. I have got to start that by expressing the city's firm conviction that a HUD takeover of the CHA was both necessary and warranted. This is because despite encouragement on some fronts and there were some encouragements, the CHA was clearly in organizational disarray. More importantly, living conditions for the residents of the CHA did not appear to be improving.

As for an evaluation of HUD's performance over the last 4 months, I offer the following. First, I think we have seen some clear improvements on some important fronts. On the redevelopment front, perhaps most visibly, plans are proceeding at three developments; at Henry Horner, where earlier this summer, we saw demolition begin on several buildings that will give way to over 450 units of low-rise, mixed income housing. We have also seen some progress on redevelopment plans at Cabrini Green, and on the lake front properties here.

The significance of this is both real and powerfully symbolic. This is because public housing residents and others here in Chicago have justifiably become quite wary about whether it is even possible here to provide public housing options that are desirable and decent. Wary that public housing and its residents can be part of vibrant, mixed-income communities rather than parts of rather isolated pockets of poverty as they have come to be in Chicago. Real, doable, quick successes at places like Henry Horner, Cabrini Green and the lake front are terribly important to show, not only public housing residents, but people in Chicago and elsewhere, that public housing really can be a good, decent thing, an opportunity and a privilege.

A second thing that we have seen HUD accomplish in its few months here, we have seen some movement to privatize functions that the CHA simply does not have the capacity to do. Earlier this

week, HUD announced its award of a contract to operate what is currently known as the section 8 program here in Chicago.

HUD is also moving forward with plans to privatize management of the various buildings and developments of the CHA, and is right now reviewing what I believe is something like three dozen or so proposals from experienced property managers.

Third, though less visible but perhaps most importantly, HUD has started to create the discipline and the control over CHA's budget and operations that had been, quite honestly, sorely lacking for a long time. Much of this has happened because HUD assembled an outstanding public housing professional team that came in here very quickly in May and started tackling these issues at the CHA.

However, I will say, that I believe HUD's efforts have been somewhat hampered because it was thrust quite unwittingly into the position of running the CHA day-to-day.

I want to expand on this a little bit because I think this says some very important things about how HUD can best deal with severely troubled, or dysfunctional, as H.R. 2406 would term it, public housing authorities like the CHA's. I think there is a critical distinction that needs to be understood between HUD coming into a troubled PHA, installing a management team and then providing general oversight; and two, HUD coming in and taking over the day-to-day operations of the PHA, as it has done here in Chicago.

Here in Chicago, the expectation in May of this year was, that is, HUD and the city's expectation, was that the former would happen. That is, that HUD would do this intervention; then in its role as the administrative receiver, install a permanent professional management team, and provide only general oversight of the CHA's operation.

Understanding this, HUD's intervention was not supposed to take place until that management team was identified and ready to go. What happened instead though was that the CHA Board chose to resign rather abruptly throwing all of the CHA directly into HUD's lap.

As a result of that, HUD was forced into the position of installing a team of its own people and other public housing professionals from around the country at the CHA on an interim basis. This means we have seen the same people simultaneously trying to install some systems at the CHA, run the CHA, recruit quality people for the CHA, and do their day jobs back in Washington and elsewhere in the country.

Given this, I think that what HUD has accomplished here in the last few months is pretty remarkable. Most importantly, the thing we all thought was supposed to be the first step, the installation of a permanent professional management team, is starting to happen with the appointment of Joe Shuldiner, John Nelson and Ana Vargas to head up this team. We have seen a signal from HUD, as well as from these three individuals, that they are committed to the long-term recovery of the CHA, and not some nice quick fix.

I have got to take a moment here to say on behalf of the Mayor and the city, I cannot say strongly enough, how pleased we are that Joe Shuldiner has decided to come to Chicago. With all due respect to Mr. Lucas and other public housing professionals here in the

room, we truly believe, we have the best public housing professional here in Chicago, and we are very pleased about that.

But there remains, I believe, a lot that HUD needs to——

Chairman LAZIO. You are making him blush by the way.

Ms. MARQUEZ. But much remains to be done, I think, before HUD can say, OK, now we have done our job and declare victory and skip town. I think a number of issues have yet to be resolved. Issues that HUD came in here to address, but has not quite done so. Both on the day-to-day operational side, and with respect to setting in motion long-term plans. I think the most important thing that HUD has to do before it can leave is lay the foundation for the long-term success of the CHA. I think that means three things.

One is to create those systems and controls that do not exist right now because if the systems are there, then the individual people become less important. They need to be good, but if you got the systems there, that is absolutely essential.

The second thing that HUD needs to do is install that permanent management team. Fortunately, we are seeing a good deal of progress. We are headed well on our way there. I think it especially means though that we have to all recruit and then groom and train the people who eventually are going to be running the CHA, 3, 5, 10 years from now because someday all of the people who are running the place now, who are very good, are going to go and we got to ensure the long-term success and viability of the CHA. That means identifying now those people who are going to be running the place five, 10 years from now and grooming them to do the job.

With that backdrop, I do want to offer some comments on H.R. 2406. First, I would like to thank you, Chairman Lazio, for taking a lead in trying to address comprehensively the issues of dealing with public housing authorities. I will tell you that a lot of what I see in H.R. 2406 is good news. It reflects an awful lot of Mayor Daley's beliefs, and some of those beliefs I know he shared with you back in June. It takes a much welcomed approach to try and strike the balance between local autonomy and flexibility and accountability. We would all like to say, let us do the job, but understanding if there are Federal dollars involved, we have got to be accountable for that. I think this bill does a very good job of trying to strike that balance. It does so by creating a block grant approach that features direct local funding, maximum flexibility against some controls. I think that is appropriate. I would say, at the back end, that I would urge HUD in promulgating implementing regulations, to honor that spirit and not start over-regulating what is a very good approach today.

I think this bill also recognizes that public housing authorities and their resources and their people have a positive role to play in fostering mixed income communities. And this bill, I think, tries to address that very well by beginning to allow the use of resources to promote that because for too long here, as elsewhere, public housing buildings and people have been isolated and not a part of the kinds of vibrant, mixed income, mixed opportunity communities that I think we all need to see in the long run.

Also, I will applaud, it gives flexibility in setting priorities and preferences for eligibility for public housing. I will echo everything that everyone else here has said about repeal of the one-for-one re-

placement law. That can only, especially at a time of scarcer resources, enhance the options and the flexibility we have to address these very difficult issues.

This bill also encourages resident participation, and there I will also echo what Joe and others have said that residents are absolutely the key to the success. They have a role to play. They have responsibilities they have got to have. They have to be given the opportunities to exercise that responsibility. We all here in Chicago have met a lot of very strong, dedicated, passionate resident leaders who need to be a part of the solution.

I also say, on one of the issues of great significance here in Chicago and elsewhere, that this bill allows a good deal of flexibility in dealing with the senior/disabled issue. It is as much an issue here as it is in other parts of the country, and this bill gives the CHA the ability to try and assume some flexibility addressing that issue going forward.

I think, going forward, two things are very important to deal with this issue. One is, locally, rigorous enforcement of screening and eviction policies is absolutely critical to creating, once again, a peaceful environment in these senior buildings. Senior, mixed, disabled, whatever the three options are, lease enforcement is absolutely critical.

I will also say though that I think it is also critical to the success of tackling this issue that we have to have the flexibility and the resources to address the housing needs of the disabled. Part of what has put us all in this fix, is that there are not enough good viable housing choices for disabled people here in Chicago. And before we can address this overall allocation issue and plan, we have got to be in a position to be able to create and provide housing options for some of the disabled people who are living in these buildings because they have no choice right now.

Having said all of that, I do have some concerns I want to share about H.R. 2406. One is, H.R. 2406 includes what I will call a new reporting requirement, the preparation of a community improvement plan. Without question, public housing authorities need to have, as cities do, short, medium and long-term plans. My concern here is really about creating another set of HUD-related paperwork requirements at a time when the city now has to prepare a consolidated plan for HUD. It has got to prepare a comprehensive housing affordability strategy for HUD. We also had a number of reporting requirements related to the city's empowerment zones. My only concern here is that this all be not duplicative and be well integrated.

My second concern is about section 435, which would authorize the HUD Secretary to penalize cities that contain troubled public housing authorities essentially if they are not turned around within a 12-month period. I will make three points here.

First, I think that assumes that a public housing authority's troubled status is a result of and perhaps not despite a local government's activity. I know that varies from city to city, but that is one concern.

Second, the 12-month timeframe before triggering this possible penalty may be unrealistic and unattainable especially when, as in

Chicago, we are talking about trying to reverse years and decades of neglect at the CHA.

My third concern is about using the CDBG mechanism to impose that penalty. CDBG, by definition, serves low and moderate income people and serves them by going—CDBG dollars go directly into communities to provide housing, healthcare services, and other resources. If you use the CDBG mechanism, that may end up hurting the very people that we are all trying to serve.

The third and last thing that I will talk about is the money issue. You know that block grant approaches can be very good. There is also the concern that it is an excuse to consolidate programs and then slash the funding dramatically.

I am hard pressed to say today that the CHA and other public housing authorities need lots and lots and lots more money. Clearly, there are capital needs. Clearly, there are operating needs, but before the CHA can make a compelling case for additional resources, it has got to get its house in order. It has got to put in those systems and those controls in place that can assure residents, the taxpayers and everyone else that it is putting what resources it has to good use; good, efficient and effective use.

With that though, CHA is headed that way, and my concern really is that once those systems and controls are in place that we indeed are going to find the CHA undercapitalized, underfunded. It does not mean that the job will not be done. But it will certainly make it a whole lot harder.

I will leave it at that. And welcome any questions that you may have.

Chairman LAZIO. Thank you very much, Rosanna.

Mr. Mendrano. Thank you again for joining us.

STATEMENT OF AMBROSIO MENDRANO, ALDERMAN, CHAIRMAN OF COMMITTEE ON HOUSING AND REAL ESTATE, CITY OF CHICAGO

Mr. MENDRANO. Thank you very much. I had to leave because there is a conference being held here, the Hispanic Leadership Conference that is being sponsored by the Northwest Voters Registration and Education Committee. It just seems appropriate that I just address a group of senior citizens, and now I have an opportunity to address you because one of the concerns that they had for a long time, of course, has been senior public housing. That is why I am glad that I was able to come before you.

Chairman Lazio and subcommittee members, in July of this year, I went to Washington to discuss H.R. 117, the Senior Citizen Housing Safety Act of 1995. During that trip, of course, I had an opportunity to meet with you, Chairman Lazio, as well as with Congressman Gutierrez, Congressman Weller, and Congressman Flanagan. I was able to share my concerns about public housing, specifically, around the issues of senior citizens.

Today, I appreciate the opportunity to appear before your committee and discuss senior housing. We are in a housing crisis, one that shakes the very foundation of our communities. Our senior citizens are living in fear. It becomes a crisis when the elderly become prisoners in their own homes. As elected officials, it is our

job, our duty to create a better environment where people do not have to live with the threat of crime, abuse and retaliation.

We can no longer let our senior citizens be afraid to walk outside of their apartments, to ride the elevators and to walk through the complex. We must stop and rectify a problem that has grown out of proportion. The current composition of elderly/disabled housing cannot remain the way it is. We have to make changes and we need to start by using the authority to designate certain buildings as senior only.

In this designation plan, we must be sensitive to the needs of the disabled population so they do not become displaced. Designating senior housing is the key, but we also need the tools to keep our buildings safe, secure and in operational condition. We must enforce eviction policy, and send out the message that breaking your lease and violating the rules will no longer be tolerated.

At this moment, I would like to commend Joe Shuldiner, who has taken an aggressive approach to see that this happens. At the onset of HUD coming in and taking over the CHA, public housing here in the city of Chicago, I was very fortunate in that the HUD staff was willing and able to meet with me to discuss some of the problems that my constituents had expressed to me.

And for that, I want to thank Joe Shuldiner as well as the Regional Director, Edwin Eisendraft, Mr. Machio and a host of other people that were sent down here who I feel did not know that there was or that there should be a relationship between HUD and CHA and the city of Chicago in terms of its local elected officials, many of whom have public housing in their districts.

Public housing in Chicago should be the stepping stone to a better future. It is clear to me that we are struggling together to create a public housing agency in Chicago that will empower residents and develop communities. I have read through H.R. 2406, and have seen many of the positive efforts that are being taken to ensure the safety of our senior citizens and public housing population.

I have often said that HUD and CHA cannot do this alone. We need to include our congressmen, city and local officials, and the whole community to ensure success.

The recovery of the CHA is one that is vital to the city and to the country at a time when public housing agencies are in trouble. As chairman of the Housing and Real Estate Committee, I have been working at the local level with the CHA and HUD to be a conduit to the city council and the community.

I would also like to bring up at this time a very serious concern that I have regarding bill H.R. 2406, and that is section 435, Performance Agreements for Troubled Housing Authorities.

First, I would like to echo my colleagues' comments. I was very disturbed by what I read when you talk about troubled housing and entering into agreements. You have to look closely assessing each situation differently. I know that accountability is important, but we cannot let a date line set the tone for how we move forward. I agree that we need to set a benchmark and a strategy that will help us realize our goals. But creating a public housing system that is going to have community and local government input cannot be rushed. We need to create a strong comprehensive plan so that through the years it enhances the quality of life for our public

housing residents. We cannot allow a 12-month period to become a ticking time bomb that could have a devastating effect on the city's CDBG funding.

In closing, I would like to thank the subcommittee for inviting me to share my views by letting me testify today, and I would be glad to answer any questions that you might have.

Chairman LAZIO. Thank you very much, Alderman, I appreciate it. And I appreciate the testimony of all the panels here today.

Let me begin with Joe a bit, you know I have talked about this before in the sense of establishing what success looks like. If we are successful, what would that be? What will that mean? When the Secretary came to the last hearing that we had, I spoke to him about the fact that he had appeared the morning before. I talked about how HUD was going to turn around, "the situation" in 4 months and how concerned I was about making representations that surely could not be accomplished given the breadth and depth of the problem, the complexity of the problem and the fact that you do not want to create cynicism here. There is a lot of hope riding on you right now concerning the takeover, and the opportunity it presents. And the last thing I think we want to say is, we will turnaround "the situation" in a month or 6 weeks or 2 weeks.

First of all, give me a sense of what your interim goals are, and what you would like to accomplish by the time you leave CHA.

Mr. SHULDINER. When am I leaving? I am sorry.

Thank you.

Chairman LAZIO. I hope it is a very long period here.

Mr. SHULDINER. Let me say this, it has been a joy working for someone who always raises the bar and challenges the staff.

Again, I start from having two different things, and I think they are different timeframes. I think, in terms of making a functioning housing authority, I think we are talking about a reasonable time period similar to what Harold found in Newark. This is about a 3-year effort. I mean, it may be a little more or less depending on circumstances that arise, but your question of what does it look like? I guess it looks like, first, that people have confidence that when money is given to the housing authorities, in fact, spent well. That it can at least be tracked, and we even know where it is and what it is.

If we have a good enough system that makes Susan's life easy to track us, that is a step in the right direction. So getting it to function, getting a handle on the finances, operations whether it be computerized, etc., creating the ways of delivering service are really critical. As Harold says, it is pretty easy to know when a business is working or not. When a complaint is made, is there a response.

Even if the response is, no, I am sorry, we cannot do that. There is at least a response. And we just do not have that right now. Hopefully, we will have addressed them or emergency circumstances that face our residents.

Again, recognizing the fact that we are going to focus on maintenance and redevelopment and less on the traditional rehabilitation. Part of our short-term goals is to have a long-term strategy, and to have something that we could be measured on. I would like people who work at CHA to believe it is a good place to work. And that

by working there, they are doing something positive. That people want to work there because they view it as a can-do operation, as a place which gets something done.

Chairman LAZIO. Let me ask you, if I can just interrupt you. Is it not reasonable for us to expect that you would establish quantifiable standards to be measured against?

Mr. SHULDINER. Yes.

Chairman LAZIO. In terms of crime rates, maintenance, how much rent you are collecting, how many units are vacant? Are you in a position where you can begin to do that?

Mr. SHULDINER. Yes, and let me just say that, it will come about in two ways. First is that HUD will insist that we enter into some kind of memorandum of agreement or MOA with them which will target certain things that HUD identifies as being a priority. But also from a personal perspective, just something that I learned in New York City, we are into management plan indicators and things like that. The one for the housing authority in New York City was about 150 pages long. I believe, as a management style, that every single department should have indicators identify, quantify what it is.

In fact, Susan remembers well where I get the training for management plan indicators when we both worked for the same Commissioner. But you know, every single department should be able to quantify what it is it does, and what its expectation should be. And basically then, come out with variance reports. If you are on target, fine, if you are not, it is explained why you are not. And that is something that builds into an operation expectation of performance.

One of the things when people talk about a turnaround, I do not believe that the staff has an expectation of performing and being successful. If you ask them to do something, I do not believe that they feel that they in fact have to come back with a result. You know, whether you call that a work ethic or however you do it, that is what we have to accomplish.

Let me just say that I would expect that that kind of management plan indicator would be devised and in place by January 1, so it would be for the 1996 year. Because it involves a process of going to each department and asking them, what it is they do. Tell us, what you do. How you quantify it. Tell us how much of that you do now and how much you are going to do of that either in terms of reducing time or producing more or having been a service over a period of time.

Again, when we look back at the TAG reporters to what was wrong with CHA, one of the things that came back over and over was the issue of all decisions were centrally made, there were no decisions being made in the field. The field basically gave up because they did not feel part of the process. And in the absence of site-based management, there was just no success.

I believe in site-based management whether it is alternative management, such as the private management that Roseanna mentioned that we are pursuing, or with the existing staff. But if you are going to have site-based management, I to have to have some confidence that I know what they are doing and that if something is going wrong, I know about it.

So, management information systems are critical, and unfortunately that takes awhile to get computer systems and tracking systems in there. We have these out now to put in job order systems and the likes so that we can in fact track what is going on out in the field.

Chairman LAZIO. Harold, is this the type of thing that you implemented when you first came in there, the technological tracking system so you can pull up the information? That does not exist right now, Joe?

Mr. SHULDINER. No. When it exists, we have no confidence in the day that we are receiving it.

Chairman LAZIO. So is that one of your interim goals?

Mr. SHULDINER. Absolutely.

Chairman LAZIO. When do you expect that you might have that type of system operational?

Mr. SHULDINER. Well, again, one of the people that we did bring in was somebody to run our management information systems who has been on board, I think around 6 weeks or 2 months. I prefer to answer that in writing and give you some realistic commitment on that.

Chairman LAZIO. That is fine.

Mr. SHULDINER. Again, I mentioned in effect, we are instilling the work ethic. I mean, I think our employees want to work, they want to do the job. They need to know what the job is, and to understand that there will be follow-up, and it is not just motion. It has to be result-oriented.

We have to do things, the local papers have covered this a little, it is something like 63 steps in Chicago to cure something. It should not have 63 steps. Even though we are doing it to protect the publics' money, I think even the public would understand if just shortened a little bit the oversight.

So on the one hand, we are talking about an organization that functions, and that we can demonstrate functions. But two other areas are just as important, and perhaps more important. The first Roseanna mentioned which was development. Obviously, there is nothing as visible as high-rises that are not there anymore, but for me as it was for Harold, the real measure is the building, not the demolition. Harold got to demolish because he was able to convince the people and especially the Judge in Newark that he in fact, was replacing units and was building housing and therefore, it was OK to take down more of the empty developments there. That is not long-term. Because we are committed to break ground, to start construction at Horner by late spring and start having productivity.

We believe that that kind of success will just open up other opportunities. The residents rightfully are questioning whether we will really do things. We need to produce. It is not enough to just take down some buildings, it is to start the reconstruction.

Chairman LAZIO. To have a sense on State Street on the corner of Robert Taylor, where you would like to be in maybe not 5 years or 10 years, but 20 years? What the end game is to allow us to try and be helpful and be better partners. I think the city would probably be a better partner if they knew what the end game was.

Mr. SHULDINER. OK. Let me first say that when you asked before what it will look like after I am gone, 20 years, I do not expect to be here. That is to say, I never know. I believe in early retirement.

Chairman LAZIO. I think you are doing a good job, by the way.

Mr. SHULDINER. You know, I go back to what the Secretary has said and what I believe. Good public housing is housing you cannot tell is public housing. It should be housing that is integrated in the greater community around it. Horner conceptually reflects that because what we are attempting to do in Horner is take down a large enough section that we can actually rebuild an entire community. What we are planning to do there is actually restore the city grids. When you see large public housing developments today, there is basically no streets. I mean they are big community. There may be one street through it, but the city grid comes up to the edges and stops.

We are talking about restoring the city grid, building housing that looks like the community around it, and then extending into the community around it and doing in fill housing. So in effect, you have a seamless web. And by doing this, you are also strengthening the community that you are a part of. Horner is on the edge of the empowerment zone, it is not in it. But there is at least the opportunity that there will be more jobs available for people in the community, and that in fact, this is a community that we can rebuild.

State Street corridor is a more daunting task. It does not have some of the improving economic circumstances to help as exists in Horner or the lake front or Cabrini. And obviously, I think your timeframe is much more realistic not just because of the lack of money, but some of the legitimate problems that you and Mr. Weller have raised, we would have to relocate a whole lot of people. In the meantime, we would have to use section 8. We do not want to just inundate communities that are already impacted by section 8 by moving everybody out at once because they have to go somewhere. So we need to do this in a staged fashion. I would just say that is the approach we are taking and this gets back to the tension that the Alderman and Ms. Marquez said is, the difference between the community deciding its own fate and what it is we decide for it.

Again, I would stress the fact that we would like to take the time, and especially in a 10- or 20-year timeframe, it is a very short time of going through the process of having the community think about planning and what they want their community to look like. This is different than Horner because we are trying there to match the community that is around it.

There really is not a whole lot of community around the State Street corridor. So we are in effect building a community from scratch, and I think the community should have a lot to say as to what that community should like. I think a lot of what they come back to will be things that we have not really planned a whole lot on. They are going to want economic development and job opportunities and shopping opportunities, the kind of things that you asked Mr. Agee. And not all of that is within our province.

Chairman LAZIO. They might be in working with the city though.

Mr. SHULDINER. Yes. Oh, and we absolutely look forward to it. So I think what you basically slowly see is many or most, poten-

tially all of the high-rises in the State Street over time being replaced by housing opportunities that look like a community.

Now, just one other thing before I would like to go to a last part of what I think is an important ingredient. There is a lot of talk about mixed income housing, what does that mean? I want to have it understood that we use two different kinds of mixed income housing interchangeably, and they are not the same and we have to recognize the difference.

The first is what we are talking about at Cabrini, that there would actually be mixed housing that would have public housing people and market rate or at least non-public housing people in the same development. That is a fairly extreme form and would only be possible in a place like Cabrini where the land and the surrounds are so desirable. That is not realistic for the State Street corridor or for Horner, at least at this particular time.

Let me put it conversely. Market rate is in fact public housing in effect. So there what we are talking about by mixed income is having a broader range of mix within the public housing spectrum. Again, Chicago's median income for public housing is 10 percent of median income. The average person in public housing in Chicago is a 10 percent median income compared to 17 in the Nation and 33 in the Nation fifteen years ago.

We would be happy just to get those people at 30, 40, 50, 60 percent of median income who are public housing eligible, but basically are the working poor as it were. So at least my view, when we talk State Street, we talk mixed income. We are really talking about bringing more low income working families, people making $15,000 or $20,000 a year. And what I have seen when residents have gone through this process is, you know, they say this is what we want. I think everybody wants the same thing. If you ask the residents, this is what they want, the next question is a little harder. Well, how do you attract somebody who makes $20,000 a year and they have some other housing options available to them, how do you attract them to your community? Are they going to come to these high-rises? And the answer is, probably not.

Well, that leads you to the next step as what should the housing look like. And then lastly, what are the resources and what is a legitimate phase in, or can we create stages so that we do a stage as we have money to do it. I really think development will go faster if the residents feel ownership of the plan.

Now, even though they come to us and say, well, why do you come to us if you have no plan? I think it is important for them to go through this process and it is something that we will focus on. I think it will be positive. I think that the residents know better than all of us what needs to happen.

Chairman LAZIO. In terms of achieving this level of mixed income that we think about, Mr. Agee was testifying about public safety, the fact that certain of the contracted security agents could be bought off with some degree of regularity. That was obviously a common fact know to all so there was no credibility, no confidence at all in the security. What steps have you taken so far in terms of security? What else do you think we need to do, and what role the Chicago Police, what role do you see them playing in all this? What else do you need from the city?

I would like to have Ms. Gaffney also answer that question.

Mr. SHULDINER. Related to this, but apart from it, you know, I just want to thank Susan for the stuff that she and the Office of EIG have done in the sense of bringing first, and actually bringing a sense of priority to safety in public housing for Federal law enforcement, and in many cases for local law enforcement. And then, second, for actually effectuating some of it in specific places.

We have several problems. The most immediate is that the housing authority has gone in the last 8 years from spending $7 million a year on security to what was about $75 million when we came in. I think if we listen to the President and measured things by customer satisfaction, one would wonder where all that money went.

On the other hand, as you may have seen in the papers when we attempted to respond to the fact that we agreed that the security guards were not working, and we were spending too much money. Therefore, we started removing security guards from certain areas, residents felt a lot more positive about them than they had in the past.

So, there too and you mentioned or maybe it was Mr. Weller, the idea of resident patrols. I approach this the same way. We need a comprehensive security strategy that is place based. What are the conditions in this development, this building? How do you address them within the resources? This is not rocket science, but it does two things. One is, instead of just coming up with these grand designs which do not work most of the places because it is not specific to the mean to exist—somebody turned my mic off, I must be saying something good or bad, I cannot figure it out. But second, again, you get the ownership of the residents where they say, this is what they do.

So we have attempted to make changes. One of the things that we are trying to do which I believe is fairly ambitious and holds the possibility for how are we going to get a handle on both the money and the security issues. We have sat down and started discussions with two fairly large developments about the fact that, in fact, they would plan the security. We would tell them how much money is available, and with due respect we are taking Congress' view, we are passing the problem onto them in cutting their funds. So we are telling them, here is how much is going to be available next year to do this, here is how much the police officer costs on an hourly basis. Here is how much an in-house security guard costs on an hourly basis. Here is how much a contract security guard costs on an hourly basis. Using this money, how would you plan? Where would you put the people, what kinds of people would you have, what time of day, what day of the week, what use would you make of residents? And giving them technical assistance, in coming up with this plan.

Ideally, if these two developments can come up with plans that we can implement in January, this would not be a pilot in the sense of a test, I would see this as the first two and that we would roll out a couple more every 6 months. And again, creating a community strategy to address security so that at least, the concept here being is by and of the residents because without the residents, we are lost. And second, the American public feeling that when

they pay money, they are getting something for it because this is designed to address what is actually wrong. Not to respond to some concept of whether police are better or security guards are better or tenant patrols are better, here is how the community is going to address this problem.

Chairman LAZIO. Susan, if I can ask you this, I am anxious to provide, I do not want to micro-manage certainly Chicago CHA even if I could which of course I cannot, I want to back off and I want to allow you to be creative. But I also am anxious to monitor this, to be able to say we have given CHA X amount of months to achieve a definable level of success and to go back and say it is either a failure or a success or on the road to success anyway.

Tell me what you think we should be looking at, and what else we need to do? By the way, your program, we will ensure that the witness protection program gets funded in this legislation. But tell us what else we need to do, and approximately when you think it is reasonable to go back and to say, CHA, it is time for us to measure goals on, for example, public safety?

Ms. GAFFNEY. There are a whole lot of questions there. Joe, you said your short-term goal for coming up with a long-term plan is when?

Mr. SHULDINER. I did not. I think the Secretary talked about having it this month, and we certainly would like to do it within a month or so.

Just again, that is a kind of broad brush thing. We are going to actually ask for HUD in technical assistance to have somebody come in and do a full fledged plan that would cover, 3, 5 years and more. But for that, you need some real time and we would get some technical assistance in doing that.

Ms. GAFFNEY. I would hope we would insist that that plan is not going to have just annual goals. It should give us at least quarterly goals, I think. And that is very important. We should be in a position to monitor, at least quarterly, whether particular goals are being met.

The reason I disagree with the representatives from Chicago about the 1-year timeframe is that, as I read your legislation, you are asking for a program that is accomplishable in 1 year. Then, if the goals are not met, you should take action because you have not asked more than was humanly possible. You have negotiated what was reasonable.

The problem with HUD is, we have sat around and listened to promises for how many years in the case of Chicago? How many years in the case of Detroit or New Orleans or DC? So I strongly support the 1-year time frame.

And, by the way, we will help you verify performance if you ever need assistance in that respect. Our office, as Joe knows, will be very happy to check out the numbers.

With respect to security, I would like to relate what we have learned from Operation Safe Home. First of all, I have some questions about drug elimination grant funding and how successful it has been. That funding has largely gone to public housing authorities who really do not have a lot of expertise in security or law enforcement. And what the law enforcement folks say is that they have been in a position, in many cases, of rubberstamping those

plans after they have been created. That is not the way to go about public safety. What we need to do is bring in the experts, and the experts are the police. We need to make them and Federal law enforcement and the residents and housing authority management integral parts of a collaborative plan to move ahead.

The CHA has been spending $70 million a year for virtually no purpose because they are spending it on security that is unrelated to a broader plan of how to get the criminal element out of public housing. You do not do that just by security. You also need to have undercover operations, as well as anti-gang and anti-drug efforts.

Chairman LAZIO. The last time I was in Chicago, I was led to believe there was an unallocated balance of $600 to $700 million in modernization funds. I am wondering, Joe, if you can tell me if that is the case. Is it because of that shortfall the CHA in other areas within the department learned that the money had been obligated?

Mr. SHULDINER. I think there is probably some confusion. It was not the same question that was being asked. In effect, the question that was being asked to the Secretary early on was, is there enough money to, you know, why you are here, how is this ever going to get done? Can we really do anything? The Secretary was basically saying, you know, between what they get for modernization, what they get for operations, what they still have unspent in modernization or development and some other programs, we can at least get started.

Again, I think Ms. Marquez' analysis of what the history of our involvement is, is right on target in the sense of when the Secretary was talking, it was on the first day of the takeover. We had not really contemplated the change in our approach from being kind of back here and being actually running it. So we felt there was money to get a lot of this started.

Well, we are faced today, I mean with the shortfall, we are having is in specific accounts because a lot of that money, $70 million of it is committed to Cabrini, $65 to $70 million of it is committed to Horner. Obviously, the operations money is spent, and the housing authority receives, well this year, prerecission—I am sorry in 1994, prerecission receives $180 million in modernization. So even if they had only half a year backlog, they theoretically have $270 million available at any given time.

So the $600 million is a lot of money, and at least gets you going. But it is not extra money that is available to do specific things other than what is already contemplated. And if I may, when I focus so much on the financing aspect of it, you have to understand what we are facing.

We are basically facing the housing authority whose modus operandi was do not really concern yourself about where the money is coming from. Even though it is allocated to something else and you want to do this, you spend it. And it does not matter what the budget is to a large extent because it takes awhile to spend it, and there will be new money coming in. As long as there is no cash flow problem, there is no budgetary limits.

And I do not mean this in a criminal sense in the word ponsey scheme connotes a criminal thing, but it is basically a pyramid scheme in a sense of, you continue spending and there is enough coming in to cover you for a period of time. What basically hap-

pened was, the rescission brought it all to a halt because all of a sudden we had to come up with cash to give back, and now everything started hemorrhaging because there was no more money coming in, and some had to give back and we all of a sudden had a cash flow problem.

That is why it is so critical to really get a sense of where the money is, what it is supposed to be used for, and track it.

On the other hand, what your bill does is a step in the right direction, we should not have to go through this rigmarole. The money should basically be flexible in the first place, but with the caveat that we live within our budget.

Chairman LAZIO. Would our bill, H.R. 2406, help you meet your objectives here at CHA?

Mr. SHULDINER. I think so. I mean there are some concerns that I would have with H.R. 2406, but I would prefer the Secretary address them when he is before you.

Chairman LAZIO. Speak on behalf of the CHA if you can do that, not on behalf of the Department.

Mr. SHULDINER. Easier said than done, Mr. Chairman. From both perspectives, if Susan's interpretation of the statute is correct that as long as the housing authority is making reasonable progress in a 1-year term, and then things continue, I think that is OK. I think people have read H.R. 2406 to basically say that 1 year, and after that HUD has to step in one way or another and realistically, at least in the first year, it means that HUD would have to step in to maybe 30 or 40 housing authorities that would have been troubled for 3 years, and would not be untroubled by the end of the year. HUD has no capacity to do that, and I do not even know if a year would give it enough time to set up a capacity to do that.

I think Susan's reading is, I agree with Harold on this, I do not have a problem with holding us to attainable goals, and if there is non-performance at least a rational explanation. And HUD should not put up with a whole lot of gobbley-gook on explanations. I mean, if there is an earthquake I think everybody understands what happened.

Chairman LAZIO. Would the bill give you the tools in terms of flexibility and in terms of the money, expedited eviction procedures having the ability in some cases to have more flexibility in contractual situations?

Mr. SHULDINER. I agree with Harold that the bill is definitely a step in the right direction, at some point maybe specifics we should discuss. Again, just as we were talking a little bit before about the State Street corridor, I think an outsider would say a lot of the State Street corridor is distressed, and therefore under the bill it has to be converted to certificates. I think that may or may not be realistic because, again, can we in fact add 10,000 certificates over night? Where would all the people go? Would interest exacerbate other problems?

So I think in the abstract to say that a development is distressed and it really does not make sense to rebuild it, and that we should look at a different kind of solution as appropriate, but understand that in a place like Chicago and perhaps in a place like Detroit or New Orleans because unfortunately there are so many such prop-

erties, there is an absorption problem or capacity problem than just responding to it.

So those would be my concerns that conceptually this is correct, but in truly distressed housing, neither HUD nor the housing authority might have the capacity to carry out the alternatives that are proposed in terms of the scope of what it means.

Then lastly, even though I am sure this is what the Secretary will spend a lot of time on, I am a big proponent of mixed income housing, but again, I would be very concerned about the portions of this bill that basically leave it up to the housing authority. You know, theoretically they could have 100 percent and 79 percent of the median income, although you talk about wide range.

Chairman LAZIO. Could you see this happening here in CHA?

Mr. SHULDINER. It does not have the stock to do it, but remember it is the better places then that will include the low income people. The people who can attract people at 70 percent are going to attract those people. And to some extent, the cuts in the money will push them that way because the less subsidy they have, the more they are going to want rents and they are going to want higher rents.

Chairman LAZIO. What is the other option, Joe, if they had given you a finite amount of money?

Mr. SHULDINER. No, I think the other option to this particular problem is something more similar in the other Houses' bill, if I may say that. It is prescriptive in the sense that they require at least 40 percent of the housing to be below 30 percent of median income. And in fact, the Secretary when he testified before Senators Mack, Bond and D'Amato, said even that was not enough because what he felt was, you have the 40 percent below 30 percent, but then the other 60 percent may all be between 70 and 80, and he wanted to see more of a range.

Chairman LAZIO. This is a basic philosophical, I think, problem we had with big brother dictating and being prescriptive or we are allowing more flexibility.

Harold, let me just ask you something.

Mr. GUTIERREZ. I am sorry, Mr. Chairman. I am sorry, I am going to have to leave. The chairman has decided to take half an hour in this interview today, I had lots of questions for you. I have waited very patiently to ask those questions. Mr. Shuldiner, welcome to your new position.

Mr. SHULDINER. Thank you.

Mr. GUTIERREZ. I am very happy that you decided to make Chicago your home. I hope on another occasion, I will be able to ask you the kinds of questions that the people of Chicago need so urgently. Thank you very much.

Chairman LAZIO. Thank you. I am not often here in Chicago, and I am taking this opportunity to try and ask some important questions on behalf of the Congress. I am sorry, Mr. Gutierrez became so impatient that he had to leave.

Mr. GUTIERREZ. Mr. Chairman, I did not become impatient. I did not become impatient.

Chairman LAZIO. Mr. Gutierrez.

Mr. GUTIERREZ. And do not take cheap shots as I am walking out of the door.

Chairman LAZIO. Stay here. Stay here and participate.

Mr. GUTIERREZ. That is totally unfair.

Chairman LAZIO. Mr. Gutierrez, stop turning around and sit over here and participate if you want.

Mr. GUTIERREZ. I said excuse me, I had to leave because I have waited here.

Chairman LAZIO. Why don't you sit down.

Mr. GUTIERREZ. Because there are other things. Chairman, you gave us a schedule to follow which you have not followed here.

Chairman LAZIO. You obviously are not interested in hearing these questions.

I am sorry this had to end up like this.

Mr. Lucas, let me ask. If you were made head of CHA, what would you be doing right now? I know it is a difficult question, but you were involved in turning around a very difficult situation in Newark. What do you think the path would be that you would be looking at? If you were in my position, what would you be measuring? What do you think it is fair to measure?

Mr. LUCAS. I think if Newark can be reflective, we started at the bottom. Everything was on the table for review. And it had to be a twofold tract. The first tract being that we had a number of residents that required services and they had been, I guess, developing across these last 10 years or so, an independent attitude. I think when the residents used to be different years ago, then there was a whole push to have resident initiatives and resident management and resident this, that and the other. So the residents became a force all by themselves.

So, they were pressing for improvement, and we had to deal with that as well. But then we had to convince the residents that they had to wait for a limited amount of time in order for us to reassess the problems to see professionally what was wrong, and then with their help, they would have to buy into the solutions as we presented them.

We did not start off by saying residents, what would you do to make it better? We said, we are going to say, residents, this is what we think needs to be done. Now, you help us make it work.

Again, as I said before, we realized early on it was the business end of it that was wrong. I think Joe said it very well, when the rescission bill came and the money stopped, and you had to give back some money that you really did not know that you did not have because it was always going and ongoing, it became a crisis. Joe used the word hemorrhage. And hemorrhage was a mild word because it was like the end of the world. Here you are sitting there knowing that you were in business, but you really were not.

And the problem we saw in Newark was, we said, let us stop for a small period of time and start the regular systems to work. There were work orders, tenant complaints, fiscal accountability, worker accountability, and nobody really knew what the pot was doing. Joe says that he has to go now and talk to these various departments, and say, what are you doing and how are you doing it, and what are you supposed to do? We had the same problem. And what we did, it used to be the central office approach, and then it went out to the decentralization. We had to centralize it back again because

we were not getting the right kind of information and the accountability in the field.

So we said, we have to know in central office what is happening, and then the field can do what they have to do as long as we understood what they were doing. So, therein lie the computer business where we sat down and we worked out a plan, and I say this on the record, that Newark, our guys would gladly come out and share with Joe what we have done. And his RPs, I am sure will work themselves out, but we certainly would come out and share our own programs. We wrote our own programs. We did not buy them. We did not get the canned stuff because Newark is different than Chicago. And we had to tailor our things to fit the kinds of problems we had to do.

We were fortunate, we had Mr. Chris Greer, the Assistant IG, he came out to see our stuff a couple weeks back. We were able to share with him the kind of success we had. And it was to simplify the computer process. You have to know how much it cost. You have to know what the worker is doing. You have to know where your inventory is. You have to know these things. And it is not meant to be punitive. The management tools that we got, it was not a punitive thing. When we found out that this maintenance worker was only giving us 10 percent, we then could go to that maintenance worker and confront him. This is what is happening here. Now, we can be in the field every day watching you. But now we know that this is what is happening.

The repair man, he fixes. Everything that has to be done. He fixes the toilet. How long did he take to fix the toilet? We now have the capacity at the end of the week, when we punch in your employee number, it tells us how many work orders you did and how long it took. So if you got 40 hours pay, you need to have close to 40 hours worth of something. In the past, there was no way to know. A person got paid and a person worked. We now have this big sign around the agency that says, results not activity. What you got was a lot of activity.

I am sure if you go to any housing authority in this country, you will see people working and you will see people busy, and you will see people tired, and you will see people complaining. You will see people just exasperated and overworked and underpaid, but when you stop and figure out how much you are getting versus what you are supposed to do, now you have a tool to go back and talk. Not just to the employee, to the union, to the others who are the advocates, to the tenants who complain. It works both ways. This guy, he is never doing anything, and he did not do this. I am turning him in.

Now, we can go to the tenants, wait a minute, Mr. Lazio, he worked on these items this week. This is what it is. Now, it is more of an understanding. Same thing with work orders. The work orders, people were getting the same work order ten times. My faucet is dripping, my faucet is dripping. The workman goes out, fixes it, manually they take one work order out of the system. Now, I got nine more in the system that will never get fixed because it is no longer a work order.

HUD says, how many of your outstanding work orders do you got? They count nine work orders. So you got 4,000 or 10,000 or

I do not know how many you have, but with the aid of the computer, you can see all of these things, give yourself a better accountability. That is where we started.

We took the tenants and we were open and above. That is the most important thing. When you cannot do it, you got to tell them. I cannot fix this now. You got to be honest. The tenants have been disillusioned for so long, if you come up and say it is not going to take us a week, it is going to take 6 months. You got to plan this right, the solutions vary in terms of what it needs to be. You got to be honest with the tenants first. Then, you got to work on your business plan. After your business plan, then you can start to implement. See, the mistake that I hope does not happen is that people clamor for action now. And that is the measure of your success. There will be no success without a plan. And it does not matter how much action you get and how much you think you are doing, it is not going to be worth anything because it has not been planned out. And if it is not planned out, it is not going to work. If you cannot be able from a business perspective, from a management perspective, understand your strengths and your weaknesses, you are not going to fix the problem.

So I think the rush to fix this problem in troubled public housing, it has to be worked out. Now, I think a plan, a year, a benchmark, a goal, that is good. But those goals must be realistic. And as being realistic, they should be funded realistically. If you have that working with you, I mean, anything can be fixed. I mean, it ought to be fixed.

Chairman LAZIO. Thank you very much, Harold.

I want to thank the panel also.

I am going to turn to Congressman Weller. I appreciate you sticking around after the cameras left. That is exactly what happened last time I was here in Chicago, if I recall.

Mr. WELLER. Well, Mr. Chairman, as a member of the Illinois delegation, I certainly want to apologize to you for the spectacle as demonstrated by one of my colleagues.

Chairman LAZIO. I understand.

Mr. WELLER. We are all very busy, but frankly, we live here and you went out of your way to travel here to conduct this hearing. I want to thank you for doing that. And frankly, since there were only three of us here, I did not see the need for any particular time constraints because you have been running this in a pretty informal manner to give everyone plenty of opportunity to make statements, as well to ask questions. So I thought you asked some pretty good questions. I learned quite a bit there.

Chairman LAZIO. Thank you.

Mr. WELLER. Let me just begin, I got just a handful of questions for some of the panelists, and I would like to start with Ms. Marquez.

Ms. MARQUEZ. Yes.

Mr. WELLER. Good morning, I appreciate your representing the Mayor here.

Ms. MARQUEZ. Certainly.

Mr. WELLER. I enjoyed working with the Mayor and the Mayor's office in my first term. You have a fine staff, and Washington does a good job of looking out for you too. I want to commend them.

Secretary Cisneros has indicated that the section 8 program is one of the opportunities he looks at as solving some of the problems with the CHA. I would like to just really initially get a handle on exactly how the section 8 program is administered right now in the city of Chicago.

Now, can you tell me how many section 8 certificates are administered by the CHA?

Ms. MARQUEZ. I actually am not the most knowledgeable person to be able to answer that question. The number runs—I am not sure. I am not sure.

Mr. WELLER. OK. So you probably would not know how many are administered by the Cook County Housing Authority?

Ms. MARQUEZ. I am afraid I would not.

Mr. WELLER. All right. Is there a member of the panel that could answer that question? Perhaps Mr. Shuldiner?

Mr. SHULDINER. I do not know the Cook County number, but we have used the number, was it 14,053? I think it was 14,567 certificates and vouchers that are administered by CHA. In terms of how it is done now, up until June, basically, it was administered by the housing authority, not particularly well.

In fact, HUD refused to give additional units to CHA last year because of its poor record of administering the program. In fact, before HUD even embarked on the takeover of CHA, there had already been an agreement with the housing authority to have the program administered by a third party. And in fact, I believe that that was agreed to last fall, and Coopers & Lybrand, I believe it was, was engaged to prepare a request for proposal.

When we came in at the end of May, one of the first things we did was get that RP out on the street. It was issued, I believe, June 7. As the papers reported earlier this week, a contract was entered into between the housing authority, or at least a letter agreement to begin a 2-month transition period in which this private company would administer the program. It would give us 60 days to actually work out the details of a contract that would be 18 months in duration with a 3-year and then a 2-year option beyond that. So, presently, as much as 6 years, 8 months, section 8 could be administered by this private company.

Mr. WELLER. Now, would they also be taking over the administration certificates that the county housing authority administers, as well?

Mr. SHULDINER. No, no. This is just those administered by the CHA, which are 15,000. Actually, a few thousand that are project based part of specific programs, but we are talking primarily about 15,000 existing tenant base certificates and vouchers.

Mr. WELLER. Does Cook County Housing Authority administer section 8 certificates of people who use them while residing in the city of Chicago?

Mr. SHULDINER. Should not work that way. Basically, the way the program would work is, you would apply in the area in which you reside. If you got a certificate, they are portable. If you went outside the jurisdiction of the housing authority that issued the certificate, during the course of the year, it would convert over.

In other words, at some point, you would become on the workload of the receiving jurisdiction and drop off the workload of the initiating jurisdiction.

Mr. WELLER. So I understand the portability, so if they apply and obtain the certificate from Cook County Housing Authority, and they used it to reside within the city confines of the city limits of Chicago, within a year that administration of that certificate would shift?

Mr. SHULDINER. Right.

Mr. WELLER. To the city of Chicago Housing Authority.

Mr. SHULDINER. And in Illinois that would be the case because of State law. In other States, where you have similar circumstances, say Las Vegas, where you have the Las Vegas Housing Authority, the Clark County Housing Authority, and you have——

[Beeper.]

A reminder that I still work for HUD.

I am sorry, it is the North Las Vegas Housing Authority, they have a Joint Powers Agreement because they are so close, it does not matter that if you are in one of the three jurisdictions, you are administered by the initiating jurisdiction. But by and large, and that is not the case in Illinois, the State law precludes a housing authority from entering into the jurisdiction of another.

Mr. WELLER. And in the case of outside the city of Chicago, if someone were to apply for and obtain a section 8 certificate, if they were to leave the CHA confines, which is admissible in the city, I assume, is that correct?

Mr. SHULDINER. Yes.

Mr. WELLER. So if they were to go into suburban Cook County or say Will or DuPage Counties, as you currently operate, would that certificate still be administered by Cook County Housing Authority?

Mr. SHULDINER. I am sorry, they got it from Cook County and then went outside of Cook County?

Mr. WELLER. Well, outside of the city limits of Chicago say in suburban Cook County into a municipality, or into a neighboring county.

Mr. SHULDINER. And they started in Chicago?

Mr. WELLER. That is correct, where they obtained it.

Mr. SHULDINER. Yes, it would leave the CHA within a year when the renewal occurred. I am sorry, the recertification occurred. It would transfer to the receiving jurisdiction.

So at least theoretically, the system works in the sense that the certificates are allocated to the jurisdiction that has the need, but they ultimately end up where the people are living so that you continue. So if they were to be incremental, you would send the incremental to where the need is, but the actual administration would eventually reside where the people reside, wherever they went.

Mr. WELLER. So within a year, if they went into Will County, the Will County Housing Authority would be given administration?

Mr. SHULDINER. Right.

Mr. WELLER. In Cook County in that case, there is a Cook County Housing Authority section 8 certificate, they obtain it from there and they move to Calumet City. Now Calumet City has a housing authority. In that case, within 1 year, that administrative author-

ity should shift over to the Calumet City. That would include any fees that HUD pays and that type of thing, is that correct?

Mr. SHULDINER. Right. Theoretically, that is what you have to do. There has been a lot of practical problems in the portability and it is why housing authorities have unfortunately discouraged people from moving a lot because of the problems. What happens is, the person moves to the new place, and I will just give you my experience in Los Angeles. The city of Los Angeles is a very large program, tens of thousands of units, because of the nature of the County of Los Angeles with 82 incorporated cities, if you cross the street with it, you probably went to another jurisdiction. They would go to a small community, that community would have to start picking up and paying the amounts, and they do not even have the cash to pay it because it is not a big program.

Mr. WELLER. Paying which amount?

Mr. SHULDINER. Actually, paying the rent subsidy. In other words, the responsibility picks up very soon, but it takes awhile for the contracting authority to move from LA to say Culver City.

Mr. WELLER. So you are saying the financial obligation for that municipal housing authority, they have to immediately start paying the bill, but the cash from HUD to reimburse local housing authority is slower?

Mr. SHULDINER. Right.

Mr. WELLER. How much slower is it?

Mr. SHULDINER. Again, it gets clarified when the contract is renewed or the person recertifies. In fact, one of the things we were going to do with incremental was to make up for the shortfall. In other words, give certificates to balance out the portability problem because we would like to avoid the circumstances that you talked about earlier and actually try to support a more diverse disbursal and it is difficult because smaller communities have a financial burden if the people move in and they do not have the funds in their program to advance the rent payments.

Mr. WELLER. But HUD would reimburse them for that?

Mr. SHULDINER. Eventually, yes, there is a cash flow problem.

Mr. WELLER. Tell me again what the lag time is?

Mr. SHULDINER. I cannot really answer it specifically. It would have a lot to do with when that certificate or voucher has to be renewed. Its contract expires.

Mr. WELLER. So after 12 months.

Mr. SHULDINER. It should be within a year, but again, just to give you an example, Los Angles was a net exporter of about 1,000 certificates a year where people just took them and went into the communities around it. And for a community that only has a 50 unit program, having 15 come in, will cause financial problems right away.

Mr. WELLER. For example, the county housing authority, can they refuse to give administration to a local housing authority within that county confines if someone has relocated to that municipality?

Mr. SHULDINER. You are saying, can the initiator refuse to turn it over to the recipient or vice versa?

Mr. WELLER. That is essentially it, that is correct. The initiator being Cook County, for example.

Mr. SHULDINER. Right.

Mr. WELLER. Let us use Cook County and Calumet City. The initiator is Cook County, the person leaves to Calumet City.

Mr. SHULDINER. They would probably be more sophisticated than to refuse, they would just be slow to do it because they should not be able to refuse. What tends to happen is, they want Calumet City to pick the person up with the next available certificate that Calumet City has so that they can get their certificate back because they still have the need in Cook County. And that is why I am saying, we were hoping to use our incremental units to, in fact, pay the initiating authorities back so that the certificate would flow to the recipient, in this case, Calumet City.

Mr. WELLER. Now you understand, Calumet City is located within Cook County?

Mr. SHULDINER. Yes.

Mr. WELLER. OK.

Mr. SHULDINER. But because the jurisdiction is Cook County, it does not serve it. It serves the unincorporated or the places that do not have their own housing authorities. Unless there is Joint Powers of Agreement, it is rare that a place has two housing authorities that could actually enter into the same area. Usually one has authority.

Mr. WELLER. The reason I ask this is that, in fact Chairman Lazio joined me for a meeting with the south suburban mayors and managers last evening, as well as the housing coalition of the south suburbs which includes the housing authorities in the south suburbs. As I pointed out in my opening statement, 70 percent of the section 8 certificates in the Chicagoland area are being used in the south suburbs. You got a tremendous concentration of poverty there. Local communities, poor people are welcome everywhere in their mind, however, their frustration is that section 8 residents tend to have greater need for social services.

The local community does not know who the section 8 participants are in their community. So there is a lack of frustration in those communities. The only local community that currently has, even though section 8 participants have been coming in for a generation, Park Forest is the only community out of all the twenty some communities in the south suburbs that administers their section 8 certificates locally. And the municipalities have expressed great frustration because of their desire to be able to administer those certificates so they know who the residents are, so they can target the social services to meet those needs, as well as enforce building codes and make sure that there is quality housing there. The information they have shared with me is that Cook County refuses to pass the jurisdiction over to them. And Park Forest being the only community that has been successful in obtaining that.

Mr. SHULDINER. Two things if I may, Mr. Congressman, one is if it is OK, I will have somebody from the National Program talk to your office directly and see if they can follow-up on that.

Second, we at HUD are aware of this problem. In fact, the Secretary has directed the program to have an informal strategy session on this issue. I believe it is scheduled for later this month or early in November, to specifically discuss the issue of the concentration of section 8 in other communities. I will tell you that the

Mayor from Yonkers, which is a city outside New York City, came in with a similar problem where he basically said that people receiving certificates throughout Westchester County which is generally fairly affluent, the people are getting them at various communities throughout Westchester County and are ending up migrating to a specific portion of Yonkers where the more affordable housing is. And he was concerned with some of the issues that you talked about, the concentration and the increasing need for services, that Yonkers in effect is ending up with all the subsidized residents in the county.

So I think you certainly identified a problem that needs to be addressed, and I would like to do it in two ways. One, have the program. Talk to your staff about what we could look at, Cook County. And then second, just keep you informed as to that kind of discussion goes on about the problem in general.

Mr. WELLER. Well, Mr. Shuldiner, I appreciate that. And I do want to point out as Chairman Lazio saw last evening, it is a bipartisan concern expressed by officials of both parties.

Mr. SHULDINER. I was going to say, I do not recall what party the Mayor of Yonkers is.

Mr. WELLER. Very poor communities, as well as communities of working middle class folks. That is pretty much who makes up the south suburbs who expressed this concern and its frustration. I am anxious to work with you to address it and I appreciate that commitment from you.

The chairman touched on it and the Secretary indicated earlier, and I believe staff indicated that nationally in the HUD housing programs, that there is about $9 billion of unobligated funds left over from previous fiscal years, as well as the current one we were in before October 1. Nine billion dollars of unobligated funds at that time.

I was wondering from a HUD perspective, putting your HUD hat on, how many of those dollars are currently obligated and what is unobligated out of that $9 billion?

Mr. SHULDINER. Basically, when the Secretary had indicated that number during his confirmation hearings in early 1993, and we have looked at the problem and tried to address that portion of it which was HUD's fault. What HUD is, they would allocate the modernization money on the last day of the fiscal year, September 30. They would tell the housing authority, by the way, you are going to get X amount of dollars. Now, submit a budget.

So in effect, the money was not given to the housing authority until 15 months into the timeframe. The full year, plus another 3 to 4 months before the money actually was received by the housing authority. In the first year, we allocated the money in July. We moved it up to July, then April, and then eventually January. So we have reduced that kind of backlog.

We believe that the amount outstanding, unobligated, at least pre-rescission was about $6 billion. And that given the fact that this is a program that was funded at $3.5 billion, and you are talking in the modernization of primarily a capital program, that having a 2-year workload is not unusual because this is generally the kind of work that needs architects and engineers to draw up plans, bid out jobs. So that we have done our part in the sense of allocat-

ing the money faster, and speeding up our process. We have beat the hustings in terms of telling housing authorities they have to spend. And obviously, the threat and the ultimate decision of rescission had a lot to do with them obligating monies much faster because they understood that it would be legally much more difficult to rescind obligated funds.

So we believe that the actual working number goes down to $6 billion, and then it goes up when the new allocation occurs and then works it way down to $6 billion.

Mr. WELLER. On September 30 of this year, there is about $6 billion in unobligated funds.

Mr. SHULDINER. And then October 1, it will go up to $9 billion and then it will work itself down. That is at least my understanding of the numbers.

Mr. WELLER. So you got that old float there of about $6 billion in the account.

Mr. SHULDINER. A 2-year float. But again, I think if you compare it with capital programs and say transportation or highways or whatever, I think this is a fairly reasonable obligation made.

Mr. WELLER. There is about $600 million earlier this year, I know when the Secretary testified before the Housing Subcommittee shortly after the CHA takeover by HUD, the figure was looking at $600 million, what the chairman referred to. What of that which has been allocated and earmarked for the CHA, of that $600 million, how much is out there that is still unobligated?

Mr. SHULDINER. Well, I think certainly the amount that is allocated for Cabrini and Horner is unobligated because they have not actually entered into construction contracts and that is what it is for. So that would represent about $150 million right there. It is hard to talk about obligations for our modernization because CHA uses most of its modernization money for things that one would not consider modernization, such as security.

As a result, 65 percent of the money is used for salaries. So once the person is there, the money is obligated because they are going to get paid, but it does not actually flow until the pay period is reached. In addition to the development monies that are in Horner and Cabrini, there is probably another $70 to $100 million of development money sitting with the control plan and receivers. So we are talking about $150, another $100, $250 million. I mean, I would estimate that there is still a little over $300 million or so that is unobligated. But the problems that we had were that that money is very specific, for specific purposes.

Mr. Weller, I do not recall whether you were sitting here when I kind of explained that when the rescission occurred in the modernization budget and we had to actually give money back, it kind of brought that budget to collapse because they had basically been acting as if there was no budget, and just the money would come in time for the actual expenditure. Then, when the monies had to be withdrawn, there was no monies for this in effect.

Mr. WELLER. When you, of course, obligated funds, I mean you had indicated that means that contracts were for a specific service or activity.

Mr. SHULDINER. Right.

Mr. WELLER. When HUD assumed control of the CHA, were there contracts that you at this stage wished had not been let, contracts that if you had the authority, that you wish you could break?

Mr. SHULDINER. I am sure there must be one or two.

Mr. WELLER. Any idea what the dollar amount would be on those?

Mr. SHULDINER. Forgive me, it is not something that I spend a whole—I try to deal with reality.

Mr. WELLER. Well, if we are talking $50 or $70 million for Horner or some of those.

Mr. SHULDINER. You are saying the ones that we are obligated, which by definition would not be the ones for Cabrini and Horner which are unobligated. But again, as I said, I think a lot of the modernization money was not spent on pure modernization, and was spent in ways in retrospect one would question. We are making a decision to really focus much more on maintenance, and being responsive and then using the modernization money we have, especially with some of the provisions of this bill, use them for redevelopment rather than modernization. Understanding we have to do some modernization. We have to address lead paint. We have to address 504. We have to have heating plans that provide heat during the winter regardless of the future of the buildings.

Mr. WELLER. Does current law allow you have the flexibility, or do you need a waiver to be able to use modernization funds for a little more creative use? Having more creativity is not what I am looking to. I am looking to get more control right now. So I am not thinking about more creativity. You know, once I feel comfortable that we actually know where the money is going to, then I would be more able to come back and say, OK, now we can at least account for it, we know what it is. Now, we would like to use it for something that, as the law is written, we cannot use it for.

We are not the people to ask on that. I mean, somebody who knows what they are doing with their money and has control of it would have a better sense of what greater flexibility they need.

Putting your HUD hat back on, just returning to the contracts that have been let prior to the HUD takeover, just from your experience so far in managing the CHA on behalf of HUD. I recognize for a few more days, you will still be doing that.

Mr. SHULDINER. Sure.

Mr. WELLER. That in the case of where HUD would take over a troubled authority, do you think that HUD should have the authority in this case, perhaps the Secretary of HUD should have the ability to break a contract?

Mr. SHULDINER. Yes.

Mr. WELLER. You would support that?

Mr. SHULDINER. Yes. In fact, I would support any legislation that would give HUD, if it did a takeover, similar authority to court appoint a receiver who would have the authority to abrogate existing contracts, up to and including collective bargaining contracts.

Mr. WELLER. All right. Thank you.

Ms. Gaffney, in your testimony here, you frankly also alluded to procurement in personnel issues being some of the frustrations that you found in reviewing public housing authorities. I served on the legislature for 6 years and served on a blue ribbon commission

which rewrote the State procurement code which can be kind of a dull subject, but that is also a very important one because of its ability to get the best bang for the buck for taxpayer paid for services and contracts. It is extremely important. We have seen many cases where Federal procurement has kept the Federal Government and government agencies behind the curve and behind the times. The FAA being an example. The FAA is still the world's largest purchaser of vacuum tubes and uses computer punch cards to program the computers at Aurora serving O'Hare.

So, I was wondering from looking into the CHA, particularly from the review that has been underway over the last few years, do you have some examples of where there has been an excessive waste in purchasing and procurement here with the CHA?

Ms. GAFFNEY. We do not have current data on the CHA, though I would bet you that, as soon as we go into CHA, we will find it because you can find it almost anywhere. But I would say that the most recent example that we have, the most blatant example, is in Baltimore where they undertook a rapid renovation program. It started at about $20 or $26 million and ended up at about $100 million.

The concept that the executive director had was, the only thing that mattered was getting the units fixed. And these procurement laws and regulations prevent you from acting fast enough. This is kind of what Mr. Lucas was calling the missionary message: What we really care about is helping people and not all this bureaucracy, and we will therefore just kind of waive all those laws and regulations. They did not have the right to waive them, but they waived them nonetheless.

We then started doing an audit and investigation. And we started off work saying, there is a basic tenet in the United States: Competition matters. Lowest price to do the job matters; that is the way the government should be operating. But, if the Baltimore Housing Authority can forget all those procurement laws and regulations, and still get the job done at the lowest price, we will forget the compliance problems.

But that is not what happened. There have now been twelve guilty pleas relating to procurement fraud, and our estimate is that the jobs cost 50 percent more than they should have.

Am I answering your question?

Mr. WELLER. I believe so. Do you feel that Chairman Lazio's legislation, which we have been making reference to, do you feel that that helps address some of the procurement issues that we are facing in better utilizing the dollars that we send the public housing authorities?

Ms. GAFFNEY. I think the message that we have to get across to public housing authorities is that there are certain basic rules. You are expected to follow those few basic rules. If you do not, you are going to be very sorry.

Mr. WELLER. OK. Thank you.

Alderman, I also want to thank you for your testimony, and I appreciated the time you took in visiting us in Washington. I would be happy to meet with you here as well, but you came to the capital and visited with us on an extremely important issue regarding senior housing, and insuring that seniors feel safe in their homes.

I particularly want to commend you on that because it is grass roots support to get Congress to move quickly.

I always found that both as State legislator, now as a Federal representative, it is a team effort. Local officials and State officials and Federal officials all working together to solve problems. It is your kind of action that help motivate the Housing Subcommittee to schedule that particular piece of legislation earlier than it might have been considered. So, I appreciate the time that you took.

Mr. MENDRANO. Thank you very much for the opportunity, and thank you for making it a little easier and having come to Chicago.

Chairman LAZIO. Let me interrupt for just a moment. There is one last question I wanted to ask. I did not get a chance to ask of either Ms. Marquez or Alderman Mendrano about this.

There is a need as each of the resources becomes more acute. There will certainly be an effort to make your request of certain city resources to CHA, but what type of services and resources do you think you will be able to dedicate to this new CHA?

Ms. MARQUEZ. If this does not work, I will just talk really loud.

I will start with the baseline, that there is a lot that the city has done over the years to provide direct services to CHA residents. I think it was a question of coordination that is quite relevant here, and remains so. We operate health clinics, social service centers, daycare centers which are delegate agencies, and directly that provide direct service to CHA residents.

I do not know what the total value of that is, but I will tell you this by way of one piece of it. Several years ago, Mayor Daley asked some members of his staff to compile the numbers with respect to Cabrini. His thinking was, you know, I think a lot of money gets spent there, but we are not seeing a whole lot for it. How much are we spending at Cabrini Green? It was an informal survey, but the number that turned up was in the tens of millions just there. And that included police services, as well as social, health and other services. I will start with that.

We already spend a fair amount, but we can always find better ways to coordinate and get a bigger bang for that, but vis-a-vis what the CHA is doing with its shrinking resources as well.

Fast forwarding up to since May of this year, what more has the city kicked in, if you will, to support this effort? Probably a couple of things. Probably the most visible and concrete, literally, is land to advance redevelopment plans. Especially at Horner and the lake front, the city has had to make city lots available in order to proceed with redevelopment plans. By definition, you tear down high-rises. You take the same units, or at least some significant proportion of them, spread them out horizontally and you are going to need more land. So the city has been engaging in a lot more aggressive discussions with the CHA about making the land available to make these plans go forward.

In addition, what we are talking about, major portions of the State Street corridor, are a part of Chicago's empowerment zone, which by definition then brings additional resources to bear—the $100 million in title XX; as well as an array of tax and other business incentives that we can use to lure jobs into these areas, including the State Street corridor.

We are starting to talk fairly aggressively again with the CHA and some of the folks at HUD about what we can do to actually make some things relating to the empowerment zone happen, particularly in the State Street corridor. We are having some discussions revolving around 35th and State.

So, there are some additional things that we are starting to bring to the table there. We will keep looking. Clearly, Mayor Daley is very vested in what happens with the CHA at this point, and he is very much out in front in support of this effort. And he feels that he is going to be held accountable, as well as HUD, for what happens with the CHA at this point. You know, if only for that reason, but there are all sorts of other very good reasons as well, the city has lots of incentives to find ways to kick things in to make this all work.

Chairman LAZIO. I want you to know that I will make myself available if it is necessary to help better coordinate city resources with CHA to make sure that each of you, the Federal Government and the city government, can bring added value to both of their investments by having closer coordination of resources. I am sure, if I can speak for the Secretary, that he also would be willing to be involved in that as well.

Do you know, by the way, where we are? Maybe this is an unfair question to you with the possibility of acquisition of one of the Robert Taylor buildings by Illinois Institute of Technology. Was there not at some point, some interest?

Ms. MARQUEZ. I am somewhat. The issue was this. There are a number of things that we are talking about having happen. That is right around that 35th and State intersection that I was talking about. The city has been working with IIT and others in the community to make some things happen there.

There has been some discussion about including in that revitalization effort, if you will, some property south of 35th Street. I will tell you that the discussions are fairly preliminary, especially because I think we all believe very strongly that no revitalization efforts that affect CHA residents should go forward without the full input and participation of CHA residents.

So while IIT has some ideas, we have made very clear that if they are worth exploring, they are only worth exploring with the full participation of any of the residents who would be affected.

Chairman LAZIO. Thank you.

Thank you very much. Thank you for your patience and for all of your input. It certainly made the trip worthwhile for me.

I appreciate you Congressman Weller for sitting through it and asking some excellent questions. We have built a better record upon which, I think, we can measure success.

Mr. Lucas, I appreciate seeing you and your creative ideas, and learning about your successes. It gives me more inspiration, frankly, that we can move forward.

Thank you so much. This committee is now in adjournment.

[Whereupon, at 2:27 p.m., the hearing was adjourned.]

APPENDIX

October 5, 1995

Rick Lazio
Chairman
Subcommittee on Housing and Community Opportunity
of the
House Committee on Banking and Financial Services

Opening Statement
Hearing on Troubled Public Housing
Chicago, Ill.
October 5, 1995

This hearing of the Subcommittee on Housing and Community Opportunity will come to order.

Thank you all for being here this morning. This is a very important hearing and I appreciate the attendance of the witnesses as well as my colleagues who have joined us.

Recently, the ranking member of this Subcommittee, Mr. Kennedy, expressed some concern to the chair that the Subcommittee has been somewhat remiss in not holding hearings to explore issues such as troubled public housing. Obviously I am sorry he was not able to make time in his schedule to attend this particularly important hearing. I hope he will have time to review written testimony.

Federal housing programs are not working here in Chicago. The takeover of the Chicago Housing Authority by the Department of Housing and Urban Development this year, which was the subject of another hearing by this Committee on June 7th, is only the latest attempt to address what everyone has agreed for years is a very serious problem.

We are here today to do more than just look at what went wrong in Chicago. We are obviously concerned about what progress has been made with the CHA since the takeover and what HUD's plans are for the future. Our real goal is to look at what lessons we can draw from the failures and the successes that have occurred here and apply these lessons in other troubled public housing authorities around the country.

Not all public housing is bad. Not even all public housing in the city of Chicago is bad. But failure on the scale we see here and in places like Detroit, New Orleans and other cities is far more than we can accept. The time has come to stop tolerating failure -- failure on the part of a management structure, failure of the government to do effective oversight and failure of an entire system of housing delivery.

Quite simply, we are not longer going to finance this failure. For years, the solution to the problems of public housing has been to simply spend more money or create another boutique program. In fiscal year 1995, HUD spent more than $30 billion and had 244 programs. We can't keep pouring money into a black hole of failed

government programs. That is irresponsible to the taxpayers and irresponsible to the people living in public and assisted housing.

Last week we held a hearing on H.R. 2406, the United States Housing Act of 1995. This bill is the first step in addressing the needs of entire communities. It repeals the U.S. Housing Act of 1937 and sets neighborhoods on a path to new opportunities.

Among other provisions, it repeals the Brooke Amendment, which, though well-intentioned when enacted nearly thirty years ago, now serves as a deterrent to work for public housing residents and has in fact increased the cost of public housing to the government.

H.R. 2406 ends the one-for-one replacement rule that has kept authorities like CHA from demolishing dilapidated units of public housing even if they have stood vacant for a decade.

Last night I drove by the high-rises on the State Street Corridor where I visited this summer. I am still appalled at the wasteland created by these buildings. If newspaper accounts are correct, and HUD plans to demolish only one out of every three of these high-rises, I am concerned that conditions along this corridor will not change. Given the increased authority in H.R. 2406, I hope that HUD's plans can be looked at again. The concentration of poverty that exists on State Street cannot continue.

This Committee is also working to end what may be the greatest tragedy to occur in public and assisted housing: elderly residents being forced to live with alcoholics and drug abusers who often harass, intimidate or even attack residents. I would like to express my sincere gratitude to Congressman Flanagan and Congressman Weller who have demonstrated strong leadership on this issue and who, I am sure will continue to take the lead on crafting effective policies to deal with this problem in the future.

In fact, the Committee will be marking-up a bill drafted by Congressman Blute of Massachusetts, H.R. 117, will help stop this horrible situation. This legislation will be voted on by the entire House of Representatives by the end of the month.

Clearly we have a lot of work to do. But it is my belief that if we can push aside pure politics and really work on crafting good policies, we can end the monopoly some housing authorities have over low-income families and make policies that an bring our cities like Chicago into the 21st century with hope and with the tools to improve neighborhoods and families' lives.

STATEMENT OF REP. CARDISS COLLINS
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
of the
COMMITTEE ON BANKING AND FINANCIAL SERVICES
"Troubled Public Housing"
October 5, 1995

Chairman Lazio, thank you for convening this field hearing regarding public housing and rental assistance programs. Also under consideration this morning are provisions of a bill that undercuts the statutory framework for the public, Indian, and the section 8 rental assistance programs, H.R. 2406, the "United States Housing Act of 1995". While I do not support this legislation, which I believe would exacerbate the very serious problems faced by residents of Chicago's public housing, I look forward to what I hope will be a candid and balanced examination of these important issues.

It is appropriate that the Subcommittee's examination of public housing and section 8 programs includes a visit to Chicago. With more than 100,000 residents, the Chicago Housing Authority (CHA) is the nation's third largest housing authority. However, relative to other public housing authorities, including the New York authority which is four times its size, CHA is among the most difficult to administer due to its severe condition of distress and the scale of its operations.

CHA has been plagued with long-standing systemic problems across major operational areas including housing management, section 8 housing programs, maintenance, financial management, and security. The Authority has within its housing stock a disproportionate number of the nation's worst public housing -- huge concentrations of aging, deteriorated, poorly designed and poorly maintained buildings inhabited by very low-income, often female-headed families and plagued by gang crime and violence.

Mr. Chairman, 67 percent of Chicago's public housing is in my Congressional district, including Cabrini-Green, Henry Horner, and much of Robert Taylor. Furthermore, as Ranking Member of the House Committee on Government Reform and Oversight, the Committee with oversight jurisdiction of all Federal operations, I have been integrally involved in that Committee's investigation of CHA reform objectives and activities. For these reasons, I feel eminently qualified to comment on Federal housing policies, as manifested by its worst example, the Chicago Housing Authority, as well as opportunities for successful reform.

I support the U.S. Department of Housing and Urban Development's takeover of the Chicago Housing Authority. I firmly believe that this Federal intervention is the only logical

action to confront the systemic problems in Chicago's public housing and to address the urgent needs of the residents. While I have concerns about HUD's capability to carry out its proposed reforms of CHA in light of its own management and operational deficiencies, extensive restructuring plans, and impending reductions in funding, I am optimistic that the HUD takeover will bring real and meaningful improvement to the public housing conditions in Chicago, and that Chicago Housing Authority might ultimately serve as a model program for the rest of the nation to emulate.

The HUD strategy for the recovery of CHA states as its vision that "the transformation of public housing in America begins with the transformation of the Chicago Housing Authority." In testimony before the Committee on Government Reform and Oversight Subcommittee on Human Resources and Intergovernmental Affairs, Secretary Cisneros pledged significant manpower and resources toward this vision. Also, the recent appointment of the former HUD Assistant Secretary for Public and Indian Housing Joseph Shuldiner as Executive Director of CHA sends the strongest possible signal of the Administration's commitment to realizing this goal.

Mr. Shuldiner has successfully intervened in the administration of the Los Angeles and New York housing authorities, and is the most capable and best prepared individual this nation can produce to take on the daunting task of turning around the severely troubled Chicago Housing Authority. His appointment bodes well for both reform efforts at CHA and, for those of us who embrace the HUD vision, the reform of public housing nationwide.

I am confident that both Secretary Cisneros and the newly appointed Executive Director of CHA, fully recognize that the reform of CHA will require an extraordinary and innovative commitment of will and resources on the part of the Federal government, in partnership with the city, and the CHA residents, to achieve any lasting success. The question remains, however, whether this Congress will be a strong link or a weak link in this partnership.

Draconian initiatives put forth by House Republicans may threaten HUD's ability to carry out many of the strategies it proposes to put in place to reform CHA as well as other troubled housing authorities that are on the brink of catastrophe themselves. For example, the Republican-sponsored rescissions bill will reduce current funding levels previously available to CHA for modernization (20% cut from $179 million to $143 million) and Section 8 housing (No new certificates will be issued, denying 500 families rental assistance). The bill will also repeal the one-for-one replacement rule and allow modernization funds to be used for demolition and replacement housing

activities.

The FY 1996 House Appropriations bill will significantly curtail funding of CHA operations. In addition of the 1995 reductions, CHA would stand to lose over $58 million in modernization funds, reducing the 1995 appropriated level from $179 million to $121 million in 1996. A total of $23.5 million in operating subsidies would be cut, reducing CHA funding from $170 million to $146 million. Again, no new Section 8 certificates will be funded, which, on top of the rescission, totals 1000 low-income families being denied rental assistance through the end of FY 1996.

In addition, the House bill would establish a minimum rent of $50 for Section 8 recipients and would also increase the tenant share of the rent payment from 30% to 32% of their income. Further, the House bill would eliminate the Development and Hope VI programs; funding to redevelop Cabrini Green and Henry Horner came from these programs. Further, the House bill will eliminate CHA's drug control program. In 1995, CHA received $10 million to combat drugs and crime. In FY 1996, CHA will receive zero funding for this effort. Also proposed is a 50% reduction in Federal funding for the homeless; for the City of Chicago, this translates into a loss of nearly $20 million for FY 1996.

Mr. Chairman, H.R. 2406, the "United States Housing Act of 1995" repeals the U.S. Housing Act of 1937, and establishes an entirely new and substantively unacceptable statutory framework for public housing and tenant-based section 8 rental assistance programs in ways which mirror much of the Republican driven legislation in this Congress -- deregulation, block grants with few Federal guidelines, and reduced funding.

H.R. 2406 would provide housing management agencies complete control of all funds and policies with the requirement to serve only residents with incomes at or below 80% of the median income in virtually any manner they wish. Also, too many of the bill's provisions, including the lack of targeting and the elimination of the 30% rent-to-income ratio, seriously threaten very low-income families. With lower appropriations, housing authorities may be compelled to give preference to low-income families between 50% and 80% of median income and to raise rents to cover shortfalls as a result of decreased funding.

Mr. Chairman, given the findings of a January 1995 study by Chicago's Roosevelt University that nine of the ten poorest neighborhoods in the United States are in Chicago's public housing developments, your bill has the unfortunate effect of creating insurmountable biases against the residents of Chicago's public housing. Surely, as we look to opportunities to cut costs and reduce the size of government, we cannot ignore the very real penalties we may likely impose on the poorest of our citizens.

Just as the failures of the nation's public housing polices were embodied in the Chicago Housing Authority, the reform of CHA can and should be a demonstration of our national will to reform public housing and improve the quality of life for low-income families that depend on public housing. While our parties may look at the crisis in public housing through different philosophical prisms, I sincerely hope we can, with equal commitment, adhere to the tenet that a safe, affordable home in a suitable living environment should be the right of all citizens.

Toward these ends, I support the efforts of the U.S. Department of Housing and Urban Development, in partnership with the City of Chicago, and the residents of the Chicago Housing Authority, to transform public housing in Chicago and to create a model program to be emulated nationwide. I encourage my colleagues to do the same.

The Chicago Housing Authority

TESTIMONY OF JOSEPH SHULDINER
INTERIM EXECUTIVE DIRECTOR
CHICAGO HOUSING AUTHORITY

HOUSING BANKING AND FINANCIAL SERVICE COMMITTEE
HOUSING AND COMMUNITY OPPORTUNITY SUBCOMMITTEE

CHICAGO, ILLINOIS
OCTOBER 5,1995

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Chairman Lazio, ranking Member Mr. Kennedy, and members of the subcommittee, I am pleased to appear before you on an issue which has consumed most of my time for the past two and one half years - the recovery of troubled public housing authorities.

As you are aware, I have recently chosen to become a practitioner once again, having been named Executive Director of the Chicago Housing Authority by Secretary Cisneros and Mayor Daley. By changing the face of public housing in Chicago, arguably the most troubled authority in the nation, I believe we can restore faith in a system which has regrettably, and in many cases inaccurately, come to represent a failed federal policy. I have spent the majority of my career working to improve public housing and the quality of life for low-income, elderly and disabled Americans. With the spotlight on Chicago, coupled with the overwhelming need, there is no better place to continue this mission.

While my remarks will concentrate on Chicago, it is fitting that I make reference to the accomplishments made under Secretary Cisneros' leadership to turn around troubled PHAs in our largest cities. Across the country, signs of change abound. The metamorphosis has begun in cities such as Atlanta, Washington, D.C., New Orleans, Philadelphia, Detroit, and Baltimore. These recovery efforts -- whether they entail reforming the management and administration of dysfunctional PHAs, or tearing down obsolete projects and rebuilding with smaller scale, less-dense, more liveable housing -- are proceeding at an unprecedented rate.

To illustrate this progress, one need only consider that before the concerted effort was put in place to address large poor-functioning PHAs, 27 were on HUD's troubled list. Since the Secretary made reforming these entities a top priority of the Department, that list has dwindled to 13. With HUD's continued assistance and support, I hope to reduce that number by one. But make no mistake, this process in Chicago will be painstaking and time-consuming -- but it is attainable.

I view the mission to reform public housing in Chicago as two-pronged. The first is to create a functioning housing authority, one that delivers the best possible services to its residents by allocating its resources as wisely and efficiently as possible. This is a standard problem which any CEO or department head must address in order to turn around a failed business or agency. By putting to use the valuable experience I have gained at HUD and in managing PHAs in New York and Los Angeles, while fortified by a top flight management team, this objective will be accomplished.

The second element is more complex in that it is embedded in the multiplicity of social, economic, and racial problems which plague many of our inner cities. Even a well-functioning housing authority will not ensure a quality living environment in many of the CHA's family developments due to intractable physical and demographic obstacles. Many of these developments were poorly designed and built, conditions exacerbated by years of inadequate management and maintenance.

Compounding these circumstances are questionable federal mandates which concentrated only the very poor in public housing developments. This added to the social and economic deterioration of entire communities. In no city in the U.S. have the consequences been more severe -- eleven of the fifteen poorest communities in the nation are in Chicago public housing.

The effort to upgrade the CHA's operations is likely to take three to five years. It is a targeted and multifaceted approach which has borne significant results already.

Any organization is only as good as the workforce it employs. Management was the area targeted by Jeff Lines in his comprehensive assessment of the CHA as the weakest link. We have put together a strong team, most notably two deputy directors with a broad range of experience in the field. John Nelson and Anna Vargas will concentrate on operations and management and administration respectively. Mid-level supervisory staff are also being identified and will be named soon after I arrive in Chicago on a full-time basis on October 16.

Another aspect of management reform, and one that the Secretary touted as a keystone of the federal intervention, is pursuing alternative management options. We realize that CHA does not have the capacity to manage in an effective manner over 41,000 units of housing and 17,000 Section 8 Certificates. We will tap into the expertise and innovation of the private sector to augment the management reforms we will implement.

Toward that end, 24 firms submitted proposals to manage CHA developments in the first phase of a process which will eventually match qualified applicants, including resident organizations, with developments. Residents selected from city wide area councils will participate in choosing qualified firms, which may be for profit, not for profit, or joint ventures with resident organizations. The second phase will involve a separate competition to determine which entities will be chosen to manage developments that the CHA chooses to privatize. In each case residents from the particular developments will participate in the selection of the management company at their development.

With respect to Section 8, HUD has sent in professionals from across the country to stabilize what had been a grossly mismanaged tenant assistance program. Just this week a private company, Quadel, has been chosen to administer the CHA's Section 8 program. While the Authority will continue to set policies such as eligibility and other criteria, this firm will be responsible for management and administration. The corruption and waste that had once characterized CHA's Section 8 program will be replaced by efficiency and quality customer service.

Through my experience in New York and Los Angeles, one thing that I am certain of is that a housing authority cannot run efficiently without the support of residents. This can be facilitated by expanding the level of resident participation in service delivery. The CHA is committed to increasing the number of residents involved in managing and maintaining properties by expanding employment opportunities and contracting with resident-owned businesses.

We are currently working with resident organizations to help them form joint ventures with private firms who will train and hire 400 resident janitors. They will perform custodial duties at the high-rise building where they live, thereby creating resident empowerment and freeing the current workforce to focus on maintaining units and reducing backlogged work orders.

The final component to improving the quality of the workforce is providing the necessary training and leadership for both staff and supervisors. There is no question that a work ethic that begins with the notion that each and every employee is here to provide services to the residents is essential. By providing the tools and direction, we are confident that the workforce will become a full partner in implementing the major reforms needed to turn the CHA into a quality housing manager.

A related aspect of workforce improvement is revamping the organizational structure of the Authority. As the TAG report specifies, the decision making process was highly centralized and in effect dysfunctional. Headquarters must become a resource for field operations, not a monolithic behemoth entirely disconnected to the services it is supposed to provide and the residents it purports to serve.

One of the changes I will push immediately is granting the regional manger, and eventually the site manager, more control. It is foolhardy to assume that an entity as large and expansive as the CHA can be managed under a command and control structure. Managers must be able to control deliveries of supplies and materials, and have access to the skilled tradespeople needed to repair and maintain units. Progress has already been made on this front.

With respect to the availability and flow of supplies, the entire warehouse system has been overhauled to decrease waste and increase efficiency. When we arrived, over $4 million in unneeded and obsolete supplies sat unused in the central warehouse. At the same time, essential supplies and materials were either unavailable due to poor planning, or hoarded because the system had no checks or accountability. Under the new system, order will be restored through a computerized purchasing and ordering system. To further enhance efficiency, cost-effectiveness, and service to the residents, we eventually expect to allow development managers to contract directly with vendors for special needs projects that involve a one-time expense.

The procurement process, another key component of sound management, was also seriously flawed. What was once a 63 step process that added as much as $8,000 per order and took 65 days to deliver has been radically streamlined. Through information systems upgrades and the elimination of an outdated bureaucratic apparatus, the steps will be whittled to a few, $800,000 per year will be saved, and most orders will be processed within five days.

Earlier I alluded to the lack of qualified maintenance workers to do basic repair and upkeep of the units. The backbone of any housing operation is its capacity to offer a quality standard of living for its tenants by providing safe and decent living conditions In all candor, the CHA failed miserably in this regard. Their is no system in place to address the thousands of

backlogged work orders. I have visited virtually each of the 17 family developments, and am sorry to say that the living conditions for families in many cases are appalling. I intend to provide some relief immediately.

The hiring of the aforementioned resident janitors will help by freeing maintenance workers to perform their assigned tasks. We will also deploy 22 "SWAT" teams, comprised of plumbers, carpenters, electricians, and other skilled tradespeople directly to the developments. We will do this in spite of the fact that a budget shortfall caused by the 1995 rescission bill and CHA cost overruns forced the layoff of 443 crafts and administrative personnel from the modernization budget. Redeployment and better management is the only alternative if we plan on keeping our promise to the residents to improve their living conditions in the face of increasingly tighter budgets.

These serious budget cuts, both from the 1995 rescission bill and the pending 1996 Appropriation Bill, will make our job much more difficult. But I do believe residents will see a marked difference.

Beside maintenance, the service which more than any other impacts directly upon the lives of residents is security. For this reason, we have made this a top priority. Again, positive actions have already been put into gear. Before elaborating on those, I believe it is important to share with you my philosophy. I firmly believe that unless residents are fully involved in the safety and security of themselves, their families, and their buildings, then we are fighting a losing battle. For this reason, I am a strong proponent of community policing and other measures which give residents a direct stake in their own safety.

Since security is such a major concern, and because a tremendous amount of resources that would otherwise be spent on maintaining buildings is being diverted, swift action was necessitated. A total of $65 million is budgeted for 1995, and cost overruns (primarily overtime and inflated contract security costs) will make the actual expenditure closer to $75 million. This compares to a total of $7 million which was spent on security as recently as 1987. Continuing on this path would lead the Authority into bankruptcy.

We will pare $6.5 million from this year's budget, which will contribute to the reduction of this year's budget shortfall. We will also cut back on costly and in many cases ineffective contract security.

We have improved administration and increased accountability by eliminating the office of public safety and integrating those activities under the direction of the Police Chief. We have also placed under his control both the in-house and contract guards that also provide security in the lobbies at family and elderly developments. This will lead to much better coordination, accountability, and cost-effectiveness.

More responsive police service is being provided by getting officers out of their cars and into the buildings and common areas. Police officers are engaging with residents to address the

particular security issues at the respective developments. Elevator vandalism squads and bicycle patrols are now fully operational, and are products of the HUD intervention.

Training has also been increased, culminated by a two-day community policing training for all CHA police officers and security guards. One tangible byproduct of community policing are resident patrols, which have been organized and upgraded at several family developments. Realizing that this concept takes time to fully implement, 60 new officers were hired since HUD arrived to ensure that security is not compromised as this transition occurs.

As I mentioned earlier, full resident involvement is absolutely critical to the successful operation of any housing authority. My principal staff and I have had hundreds of formal and informal meetings with resident groups, both small and large. We intend to empower the residents, allowing them to serve as real partners in the decisions that affect their lives. A city-wide elected resident leader serves on the Executive Advisory Committee, which under HUD's auspices guides the CHA in policy development. Residents are also participating in the aforementioned alternative management selection process, and on committees which are overhauling the CHA's occupancy rules, including resident screening, lease enforcement and eviction policies.

In order to promote self sufficiency and economic uplift, we are committed to providing as many opportunities as possible for residents to advance themselves. We do face a problem though, since when PHA budgets are cut, resident initiatives traditionally bear a heavy share. We intend to supplant this by aggressively pursuing both private and government resources and services which have a positive impact on public housing residents. This is especially true in the areas of job training and placement and other self sufficiency oriented activities. Whether its in the form of enhanced city services or demonstration grants from philanthropic groups, we intend to fully integrate public housing residents into the surrounding community.

I believe it is important to elaborate on the occupancy issues which I referenced above. One thing I hear consistently from residents as I visit with them or tour their developments are complaints about unruly residents and those engaging in criminal activity. The overwhelming majority of public housing residents are law-abiding citizens, and like anybody else deserve the right to live free from harassment, drug dealing, and violence. At a time when affordable housing opportunities for low-income families are becoming more scarce, it is incumbent upon housing agencies to guarantee that only law-abiding, lease-compliant residents occupy units.

Toward this end, a draft screening policy has been produced which calls for more diligent security and credit checks. By increasing the probability that tenants admitted will pay their rent, the abysmal level of rent collection, currently at 75%, will assuredly improve.

Lease compliance, which must be enforced if management reforms are to have any lasting impact and credibility, is also being scrutinized by a joint CHA-resident committee. In order to give some teeth to the changes that are adopted, the eviction process will be streamlined so that residents who truly do not belong in subsidized housing will be removed. Currently, a bloted bureaucry restricts the Authority's ability to evict habitually disruptive tenants. We are in the process of changing this.

Another occupancy issue which has generated a great deal of interest in Chicago and nationwide is the designation of senior-only buildings. As you know, the law currently allows housing agencies to mix the elderly and disabled populations, and requires that recovering drug and alcohol abusers be included in the definition of disabled. The law also permits PHAs to designate certain senior buildings as "senior only." Prior to the HUD intervention, the CHA submitted a designated housing plan which was deficient in that it did not adequately address the relocation of disabled individuals who would be displaced. The new proposal, being written to comply with HUD requirements, will enable 20 of the 58 senior developments in Chicago to be designated as "senior only." Implementation will occur upon completion of the required public comment period and the new plan will be submitted to HUD by the end of the week.

Finally, no discussion of housing operations can be complete without including financial management. Without question, grasping control of the budget has proven to be one of our most difficult challenges to date. Establishing an accurate set of books and a credible accounting system is something we have been working on since day one, but it is a tedious and painstaking process.

The records are in such disarray that we have asked a preeminent accounting firm, Deloitte & Touche, to help in this process. Currently it is impossible to discern cash and reserve balances by program, and when we are able to gauge the situation the answers are often alarming. For example, the cash reserves in the operating budget are projected at $8.2 million. Based on HUD standards the reserve should total $38.9 million. Part of the reason for the inadequate account are consistent budget shortfalls, which forced the CHA to dip into reserve accounts to pay routine expenses. In effect, the CHA played a shell game, mixing accounts to pay for ineligible expenses and dipping into future year subsidies to mask inefficiency and financial mismanagement. Unfortunately, it was left to us to pick up the pieces, and set the agency on a sound financial course with significantly fewer resources.

With respect to our financial picture, the CHA will be seeking some relief from HUD. For example we have requested $25 million in emergency comprehensive grant funds to improve the heating plant and make other urgent repairs. We have also requested additional Section 8 Certificates to help place families in better housing in the face of reduced modernization and development funding.

I think you will agree that reforming the operation of the CHA is a daunting task, but one which we can get a handle on and eventually overcome. The second element, as I remarked at

the outset, is more problematic and has longer term implications. This is the effort to dramatically change the face of public housing in Chicago and improve the overall living environment for CHA residents. To reiterate, this means addressing the flawed design, construction, siting, and maintenance of the units, and the concentration of very poor people in these buildings. What we are left with in many cases are dilapidated high-rises occupied by people with little education and job skills, dependent upon public assistance, and often beset with health, substance abuse, and other serious problems. This is what must be penetrated if we are to be truly successful in our mission in Chicago.

The design and construction of some of the high-rise buildings make them far too costly and virtually impossible to maintain in any many type of decent condition. The most noticeable deficiency were the elevators which were built on the outside of buildings, subjecting them to vandalism and the elements. This has been addressed, but at great expense to the Authority. Many of these buildings have exterior stairways and standpipes which freeze in the winter, making it impossible to put out fires. Most of the high rises were built with exterior walkways, forcing residents to walk outside to travel from the elevator or stairs to their apartments.

More pressing and dangerous conditions also exist, including lead based paint and poor heat distribution systems. In short, literally tens of thousands of dollars per unit would have to be spent just to get units to the minimum acceptable level. Stop-gap improvements that have been implemented are cost-prohibitive, and give the buildings an eery, prison-like atmosphere and appearance. People should not have to live like this.

Concentrating the poorest citizens in these buildings has compounded the problem. Federal preference and tenant selection policies have made public housing the housing of last resort. The average median income for public housing families is 17%, down from 33% thirteen years ago. As I alluded to earlier, their impact on Chicago has been particularly hard-felt. Average median income here is 10%. This concentration of poverty and race (95% of CHA residents are African American) is unprecedented nationally, and was the catalyst for the Gautreaux decision, the landmark public housing case. It requires that there be an effort to give existing public housing residents an opportunity to live in non-impacted areas. I believe that low-income families should, if they wish, be given the chance to enjoy the education, employment, recreational and other advantages that mixed-income communities typically offer.

The financial restraints that I have made reference to throughout the testimony will be particularly damaging to redevelopment efforts. Vince Lane, the long-time former Chairman of the CHA estimated that nearly $5 billion would be needed to completely address the capital needs of the CHA. This number was predicated on the demolition of 20,000 of the 40,000 public housing units, construction of 30,000 new replacement units, and the rehabilitation of the remaining 20,000 units, which would house subsidized and non-subsidized households. He projected that $2 billion would be needed to make a serious dent. While these numbers are now even less realistic than when Mr. Lane made these comments, the repeal of the one-for-one replacement rule, the flexible use of modernization funds, and the ability to use Section 8

Certificates to relocate displaced residents will enhance redevelopment efforts by large PHAs nationwide.

Despite the existence of seemingly overwhelming obstacles, I believe possibilities do exist to make real change -- if I believed otherwise, I would not have made this commitment. The timing is right for major breakthroughs nationally, and HUD's presence has seemed to galvanize support behind the idea that if public housing in Chicago is not transformed, the entire program may be imperiled. The support we have received from resident leaders, the City of Chicago, and the Gautreaux receiver has enabled us to move forward on three redevelopment projects that had been stalled -- Henry Horner, Cabrini-Green, and the Lakefront.

In light of the budgetary outlook for PHAs in the near term, it is fortuitous that funding for most of Henry Horner and Cabrini was appropriated in prior years. Further movement on the Lakefront properties will be contingent upon future funding from HUD.

Jump starting the Henry Horner has been our top development priority. After a lengthy litigation process, HUD brought closure to the process by reaching an agreement with the residents to demolish two vacant high-rises at the Henry Horner Extension. After relocation is completed, an additional three mid-rises will be demolished.

Both the law at the time and the consent decree required one-for-one replacement. As a result low-rise duplexes and townhomes will be built both on and off the site. Fifty percent of the units will be reserved for public housing-eligible residents who are below fifty percent of the median income. The other half will be reserved for public housing-eligible working families who are between 50 to 80 percent of the median (this translates to between $25,000 - $36,000 for a family of four in the Chicago area).

The tremendous effort and resources committed will pay off in the form of 700 new units of public housing (new construction is slated for next Spring) and the revitalization of an entire neighborhood on the near-West side of Chicago. The area will be reconnected to the city grid, ending decades of isolation. Just an important, an environment where work is encouraged and valued will be created.

Before HUD arrived, the redevelopment of part of the 3600 unit Cabrini Extension was stalled by the inability of residents to come together and the submission by the CHA of a financially unworkable plan that did not include a satisfactory number of low-income residents. Since then, dozens of meetings with resident groups have moved the process forward, and the demolition of the first high rise began last week. Four other buildings have been approved for demolition by HUD.

A key facet of the Cabrini redevelopment is the inclusion of private for profit and not-for-profit developers into the process. A total of 24 companies have responded to a Request For Qualification (RFQ). Residents and community leaders have agreed upon this process, which

will have the dual impact of injecting the creativity of the private marketplace, and enhance the probability that market rate units will be interspersed among the units dedicated for public housing eligible families. In effect, we are leveraging the $50 million in federal HOPE VI funds to attract additional private dollars and build more housing.

At Cabrini, it is not an exaggeration to say that the potential exists to forever change the dynamic of public housing by creating one of the most ambitious mixed-income communities in the nation. If things fall into place, and the response from private developers indicate that they will, public housing residents will become part of a thriving middle-to-upper income neighborhood on the near-North side of Chicago. The value in terms of increased security, employment and educational opportunities for low-income families is incalculable.

With respect to the Lakefront properties, again HUD's active intervention accelerated a dormant process. Currently three vacant high-rises stand adjacent to a model public housing development, Lake Parc Place, two mixed income high rises located on Chicago's scenic Lakefront. HUD and the local community organization have recently reached an agreement which will lead to the construction of up to 400 new townhomes and duplexes, in addition to nearly 300 Section 8 Certificates. The agreement is contingent upon the acquisition of land, much of what is city-owned.

With an eye toward the bigger picture, we will encourage resident councils in all of the family developments to take three to four months to produce their own strategic plan -- a blueprint of what they would like their communities to look like. The Secretary has asked me to give special attention to the State Street Corridor, a desolate 4 mile strip of public housing which has come to symbolize the failure of past policies.

We will provide technical assistance to resident councils to hire qualified urban planners to assist in this effort. There has been some resistance to the idea because neither HUD nor the CHA can promise today that sufficient funds will be available to carry out these plans. Still, only developments which have plans will have a chance at any future funding, and ideas such as building consolidation and the increased use of Section 8 Certificates to improve living conditions are definitely viable now.

We are particularly inspired by the pace of the redevelopment at these three locations, and the possibility to demolish 480 vacant units at the Clarence Darrow Homes. We are also anxious for the residents at the other developments to see an improvement in their living standards -- in the form of better maintained units, increased safety for their families, and job and educational opportunities. While massive clean-up and emergency work order reductions played a valuable role in a crisis management sense when HUD first arrived, we must now get on about the business of changing the system so that clean, well-maintained units and a safe living environment are the norm, not the product of a special one-time effort.

I believe we can achieve this in Chicago, and in the process become a symbol not of a failed past, but of a bright and vibrant future.

Mr. Chairman, I would like to thank you and the other Committee Members for allowing me to testify, and I would be happy to answer any questions.

STATEMENT OF
SUSAN GAFFNEY, INSPECTOR GENERAL
BEFORE THE
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
COMMITTEE ON BANKING AND FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

TROUBLED PUBLIC HOUSING AND THE
PROPOSED UNITED STATES HOUSING ACT OF 1995

OCTOBER 5, 1995

Chairman Lazio and Subcommittee Members, thank you for the opportunity to appear before you today to discuss large, troubled public housing agencies (PHAs) and the proposed United States Housing Act of 1995.

HUD Office of Inspector General (OIG) views on large, troubled PHAs are derived from our extensive program audits, and from our participation in the Operation Safe Home effort to reduce violent crime in public housing. I would like to discuss the program and crime issues separately; and, in the process, comment on the remedies offered in the proposed United States Housing Act of 1995.

LARGE, TROUBLED PHAS: PROGRAM ISSUES

Mr. Chairman, for the past ten years, we have been reporting on the problems facing large troubled PHAs, particularly those located in our largest urban areas. Based on our many audits and reviews over this time, we have seen only negligible and sporadic improvement in the operations of PHAs. In some cases like New Orleans, Washington, D.C. and others, we have seen no improvement or a deterioration in operations. Some large troubled PHAs have made strides in improving their operations only to fall back in disarray and decline. Mr. Chairman, for some large troubled PHAs, it has been one step forward and two steps backwards.

In brief, HUD's efforts to address the problems of large troubled PHAs have not been successful. Over the past ten years, much tinkering has been done to HUD's systems and procedures for identifying and resolving PHA problems. Our audits, however, have not disclosed any substantial progress in resolving the problems facing public housing today. In our opinion, HUD's Public Housing Management Assessment Program has not been an extremely useful management tool for assessing the performance of PHAs because indicators don't paint a full picture and PHAs' reporting of performance results is not always reliable.

The progress in improving troubled PHAs that we have discerned from time to time has been mostly temporary and limited. Large troubled PHAs are still faced today with the same

types and degree of problems they were faced with ten years ago when we first instituted our audit initiatives involving these PHAs. Some of these problems include:

- Lack of or ineffective maintenance programs, including preventative maintenance programs;
- Substandard housing conditions;
- Excessive vacancies;
- Declining rental collections;
- Wasteful and inefficient procurement practices;
- Poor personnel practices and staff management;
- Patronage abuses;
- Lack of continuity in management due to high turnover of key personnel; and
- Lack of oversight and accountability by PHA governing Boards.

We summarized and discussed these conditions in a September 1993 national audit report to the Assistant Secretary for Public and Indian Housing. Ironically, we had reported most of these same conditions to the then Assistant Secretary for Public and Indian Housing in an April 1984 national report. So, as you can see, Mr. Chairman, not much has changed in resolving the problems of large troubled PHAs over the past 10 years.

In prior testimony before this Subcommittee I attributed the continued lack of progress in addressing the conditions of large troubled PHAs to a lack of HUD management will and political support. I will later discuss how HUD has recently demonstrated a will to address these conditions, and how your proposed legislation can help to take the politics out of the picture. However, I believe there is a third cause related to HUD's failure to fully and effectively utilize its available capacity for administering its public housing programs.

In 1992, HUD set out to develop and implement a new program delivery strategy that would empower field staff to more directly address high risk PHA performance problems. Issues were to be addressed in a collaborative fashion with PHAs, with a focus on providing problem solving assistance in areas such as maintenance, occupancy, and financial management. Independent needs assessments, separately funded by the Congress, were to be conducted on all troubled PHAs, as a basis for establishing necessary plans and agreements for improvement. While the

strategy had merit, it has not been effective because of HUD's slow and inconsistent implementation.

By statute, HUD established an Office of Severely Distressed and Troubled Housing Recovery (OSDTHR) at HUD headquarters in 1993. The group consists of about 40 staff. Rather than having this group serve as a policy and oversight group in support of HUD field staff (which numbers about 1,200), this small group was tasked with primary responsibility for monitoring and providing technical assistance to severely distressed PHAs and distressed developments. OSDTHR directly administers over $1 billion in funding for severely distressed public housing, as well as $20 million in technical assistance funds. It has also taken on responsibility for the pursuit of new public-private development ventures in public housing. The operational role of this group runs contrary to the risk-based, functional assistance team service concept which HUD field staff are supposed to be implementing at the local level.

OSDTHR has placed great emphasis on obtaining local political buy-in, and negotiating memoranda of agreement to establish and control actions to address troubled PHA conditions -- time-consuming processes for a small staff, even if their workload consisted only of the Chicago Public Housing Authority. Progress in problem identification and corrective action planning and implementation at large troubled PHAs remains slow, and we believe better use of HUD's capacity is needed.

Notwithstanding these comments, I don't want to leave anyone with the impression that there is no hope of ever resolving the problems of troubled PHAs or that important corrective measures have not been instituted by Congress and HUD during recent years. Although progress and success have been hard to come by, many potentially effective measures have been put into place.

HUD has recently taken action on a number of fronts to address troubled and distressed public housing. Currently, troubled PHAs and distressed public housing developments are the major public housing priorities of HUD. In conjunction with these priorities, HUD is emphasizing the demolition of nonviable, distressed developments, and PHAs' leveraging of HOPE VI and public housing development funds through PHAs' establishment of public/private partnerships for the mixed-financed development of public housing. In addition to HOPE VI and public housing development funds, these financing arrangements offer an opportunity to use a variety of public and private financing sources including low-income housing tax credits, taxable or tax-exempt bonds, private mortgage debt, CDBG funds, and other leveraged financing sources.

In conjunction with these efforts, HUD has made recent progress in demolishing older, nonviable public housing

developments. Since April of this year, major demolition efforts have occurred at Chicago's Henry Horner Homes, Baltimore's Lafayette Courts, Philadelphia's Raymond Rosen project, Atlanta's Techwood/Clark-Howell projects, New Orleans Desire project (still in progress), and other public housing developments. Over 4,000 outdated, nonviable public housing units have been demolished over this time. These demolitions were preceded by the razing of the massive Christopher Columbus Homes in Newark and the Hillside Terrace development in Milwaukee. Ten additional public housing developments are planned in El Paso, San Antonio, Miami, and other large, urban cities across the nation. The demolition of nonviable public housing is the initial component of HUD's strategy to replace large, older, deteriorating public housing with safer, low-density, mixed-income housing.

In addition, HUD has been active in taking over or facilitating the takeover of chronically large troubled PHAs. The most recent efforts in this regard have been in connection with the Chicago Housing Authority and the District of Columbia Housing Authority. This year, HUD declared the CHA in breach of its Annual Contributions Contract, took possession of its developments, and is currently managing the Authority's operations. HUD was also instrumental in facilitating the placement of the District of Columbia Housing Authority into receivership this year, after 16 years on its troubled PHA watch list. Independent management assessments of other troubled PHAs are underway as a basis for executing or revising existing performance agreements to turnaround problem conditions..

Despite these current HUD actions, and the billions of taxpayer dollars provided to these large troubled PHAs, we remain convinced that no real sustained improvements will result at large, troubled PHAs until the following four conditions are met:

- PHAs strengthen their management practices and financial operations.

- Local governments are held accountable for PHAs' poor performance.

- The Congress approves statutory changes to remove burdensome and restrictive program requirements.

- HUD clearly defines its oversight and assistance role, and acts decisively when the PHAs show poor performance.

We see the third and fourth conditions, actions by the Congress and HUD, as necessary to facilitate and assure pursuit of the first two conditions. I will next discuss how Congress, and in particular this Subcommittee, is taking legislative action to improve the delivery of public and assisted housing.

PROPOSED UNITED STATES HOUSING ACT OF 1995

In previous testimony before this Subcommittee, I have discussed statutory, regulatory and administrative barriers that contribute to operating problems at large, troubled urban PHAs; and I have recommended the following program changes:

- Program funding consolidation and simplification,
- Deregulation and decontrol of well performing PHAs,
- Enhanced PHA takeover authorities for HUD,
- Relief from federal tenant preference rules,
- Relief from the "one-for-one" unit replacement requirement,
- Discontinuance of funding for vacant units, and
- Increased coordination with other agencies on welfare to work and other resident initiatives.

H.R. 2406, the United States Housing Act of 1995, would significantly reform HUD's assisted housing programs, principally the public housing and Section 8 rental assistance programs. In the process, the proposed bill would repeal the United States Housing Act of 1937 -- the underlying statute authorizing these programs. We find that this proposed legislation tracks well with our previous input on needed statutory changes. Among other things, the proposed bill would institute the following significant reforms:

- consolidate and simplify funding to housing management agencies through block grants, which could be used for a variety of activities including housing operations, production, and modernization.
- provide housing agencies with increased flexibility to enable them to leverage and combine their Federal assistance with other sources of assistance;
- deregulate and decontrol good performing public housing agencies, thereby enabling HUD to focus on troubled agencies;
- aggressively deal with chronically troubled housing management agencies which fail to show improvement by requiring HUD to replace the existing management of such agencies or take possession of them;
- create a Housing Foundation and Accreditation Board which would be responsible for reviewing and accrediting housing

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management agencies and other assisted housing providers pursuant to established performance standards and guidelines;

- facilitate mixed-income communities; and

- merge the Section 8 housing certificate and voucher programs into a new choice-based rental voucher program, with a homeownership option, which would operate in a manner that more closely resembles the private housing market.

Mr. Chairman, we believe these key provisions of your bill will improve HUD's overall public housing program delivery. In addition, your wholesale approach of repealing and replacing the old statute provides a clean slate upon which HUD and local PHAs can more flexibly use federal funding to better meet local needs. Many previous statutory barriers to effective local program performance would be eliminated by your proposal, such as the one-for-one replacement requirement, federal preference rules, and many other detailed requirements over utilities, vacancies, etc.

I would like to take a minute and reflect upon what your bill means to enhancing HUD's ability to deal with chronically troubled housing agencies.

- First, your proposed block granting of funds and deregulation of good performing PHAs will alleviate both HUD and PHAs of considerable administrative burdens, freeing greater resources to deal with the problems of troubled PHAs,

- Second, your establishment of a separate Housing Foundation and Accreditation Board can serve to provide independent assessments of PHA performance, which are free of the political influence which has often impeded substantive improvement of conditions at troubled PHAs, and

- Third, your elimination of stringent program funding requirements will provide the local flexibility necessary to tailor solutions which meet the needs of each unique troubled PHA and their surrounding communities.

With respect to these positive changes, I am further pleased to see that the bill provides for appropriate management controls, such as comprehensive local planning requirements and sanctions for noncompliance and nonperformance. Such controls are essential in an environment of deregulation and decontrol.

For your consideration in finalizing this legislation, I have some comments and suggestions on a few aspects of the bill:

Funding Allocation Formula - The bill's prescribed factors for developing the block grant allocation formula do not specifically include current income levels and rents in public housing. Instead, the formula appears to contemplate that most public housing costs will be financed by market-based rentals. This could result in housing management agencies favoring households who can afford ceiling rents. Also, some of the factors in the permanent formula may discourage housing management agencies from demolishing and disposing distressed properties.

Housing Foundation and Accreditation Board - Suggestions on the bill's provisions in this area include:

- The need to assure that the makeup of the Board is such that it will not be subject to undue influence from the public and assisted housing industry in carrying-out its activities,

- Consideration of adding the HUD Inspector General as an official non-member Advisor to the Accreditation Board, given our complementary role in connection with financial and performance audits of housing agencies and other assisted housing providers,

- The need to clarify the roles, authorities and relationships between the Accreditation Board and HUD,

- Consideration of limiting the role of the Accreditation Board to its basic accreditation mission, and excluding other responsibilities such as: measuring the performance and efficiency of HUD's "deep subsidy" programs, including the public housing program and Section 8 tenant-and project-based programs; and establishing and making available management and computer systems, training, and technical assistance.

Targeting of Assistance - Bill provisions for the targeting of HUD's public housing assistance appear to have the effect of raising family income eligibility to 80 percent of area median income, when current public housing residents, on average, have incomes that are about 17 percent of area median income. From our perspective, these provisions appear to run counter to Congress' objective of maximizing its return on appropriated housing assistance dollars. We suggest that these provisions be reconsidered or clarified.

COMBATTING VIOLENT CRIME IN HOUSING AGENCIES

I believe we can all agree that ensuring the security of public housing and its residents is the first step that must be

taken to address the problems of troubled housing agencies. This has been a major focus of our audit and investigative efforts during the past two years, and will continue to be an integral aspect of our operations for the foreseeable future.

I would like to discuss our Operation Safe Home task force initiative, because I believe this initiative is an integral part of HUD's effort to turn around troubled housing agencies. I will then indicate how some provisions in your proposed bill relate to our Operation Safe Home initiative, and discuss other provisions related to this initiative that should be considered for inclusion in the bill.

Operation Safe Home is an intensive task-force initiative to address crime and associated violence in public and assisted housing. It was launched in February 1994 with the full support of the current Administration. Essentially, this initiative entails HUD OIG's collaboration and coordination with other federal, state, and local law enforcement agencies, as well as public/assisted housing managers and residents, for the purpose of targeting law enforcement resources to public and assisted housing as a means of addressing and preventing crime and violence at housing sites throughout the country.

Since the inception of Operation Safe Home, over 100 law enforcement task forces have been established which have produced approximately 5,500 arrests for crimes involving drugs and weapons at public and assisted housing sites, and confiscation of at least 470 weapons, including 80 assault-type weapons and shotguns, and illegal drugs having a street value of over $2 million.

Here in Chicago, Operation Safe Home task forces have been active in combatting violent crime at the Chicago Housing Authority. For example, during April, May and June of this year, a number of our Special Agents participated in Operation SWARM (Strict Walkdown Abatement Relief Mission). This operation was conducted jointly with the FBI, DEA, ATF, Secret Service, Chicago Housing Authority Police, Chicago Police, and Illinois State Police. The initiative focused on 12 of the Chicago Housing Authority's public housing developments, and also involved numerous scattered site locations.

During this 3 month period, Operation SWARM resulted in 462 arrests of individuals who were charged with offenses, including assault and battery, armed robbery, criminal trespassing, and delivery/possession of controlled substances. Our Special Agents have participated in many other similar Operation Safe Home initiatives at the Chicago Housing Authority since April of last year.

In many respects, Operation Safe Home has been an eye-opening experience for us. Through this initiative, we have obtained a deeper understanding of the nature and extent of crime impacting public and assisted housing developments. We have also obtained critical knowledge of those techniques and efforts that are most effective and useful in dealing with violent crime at or near public and assisted housing sites. But perhaps most importantly, we have seen the substantial and positive results that can be achieved through interagency federal, state and local cooperation in the effort to combat violent crime at public and assisted housing locations.

Mr. Chairman, despite the success of Operation Safe Home to date, many barriers still remain in combatting violent crime in HUD's public and assisted housing programs. Barriers include limited funding for our Operation Safe Home task force initiatives, and problems in relocating witnesses for security purposes, gaining access to criminal information, limiting the eligibility of certain offenders for housing assistance, screening out certain offenders from admission into public and assisted housing, evicting such offenders from public and assisted housing, and mixing elderly and disabled persons in public and assisted housing developments.

We are working closely with your Subcommittee's staff to address our concerns in these areas. I'll briefly state our concerns and suggest how the proposed United States Housing Act of 1995 can better address these matters.

Funding For Operation Safe Home - Operation Safe Home is not funded through a separate appropriation; rather, the source of funding for this initiative has been HUD's Consolidated Fee Account. To date, we have expended about $1 million for Operation Safe Home, which when spread over the approximately 100 task forces currently in operation, equates on average to $10,000 per task force--not nearly enough to cover all the costs involved in these intensive operations.

The limited funding available to the Operation Safe Home violent crime effort has been used as seed money to assist local police in short term task forces targeted at public housing developments, assist in financing HUD's share of larger federal task forces targeted at public housing, and support the purchase of contraband evidence.

Mr. Chairman, critical activities of our Operation Safe Home initiative are continuously faced with cutbacks. Without additional funding, we run the risk of bringing some task force initiatives to an abrupt halt.

Since Operation Safe Home will continue to be an integral part of the Federal Government's effort to address and prevent violent crime in public housing in the coming years, it should be given statutory recognition. We would like to see Operation Safe Home receive such recognition in the proposed United States Housing Act of 1995, along with its own funding authorization. Inasmuch as Operation Safe Home is directly benefiting public housing agencies and owners of other assisted housing developments, its funding should come proportionately from any authorized funding for the public and assisted housing programs, and therefore should not entail any incremental funding.

Witness Relocation Program - Louis Freeh, Director of the FBI, met with Secretary Cisneros in November 1993 and urged his assistance and cooperation with the Department of Justice in improving the participation of public and Indian housing residents as witnesses in important criminal cases. The belief was that if potential public housing witnesses could be moved away from alleged perpetrators of violent crimes, they might be more willing to serve as witnesses for the prosecution. The prompt relocation of these at risk witnesses enhances the potential success of prosecutive cases involving violent offenders, because convictions are often unlikely without the testimony of these witnesses.

As a result of this dialogue, we established the witness relocation program, which should not be confused with the Department of Justice's witness protection program. Our program is limited to relocating witness-families from public housing where they may be threatened to other, more suitable HUD-assisted housing. Any physical protection of the witnesses remain the responsibility of the primary federal, state, or local law enforcement agency having investigative jurisdiction over these cases.

Due to our unique relationship with law enforcement agencies, the OIG serves as the facilitator for the Witness Relocation Program. Since inception of Operation Safe Home, we have facilitated the relocation of over 150 witness-families.

In order to expedite the relocation of such witnesses, HUD created a federal preference for residents "fearing reprisal for the assistance they provide law enforcement". No other form of special priority consideration has been established by HUD for witness-families. However, the United States Housing Act of 1995, as well as other similar legislation, propose to repeal federal preferences for housing assistance and permit housing agencies to establish their own preferences based upon local housing needs and priorities.

Moreover, even though witness relocation has been assigned federal preference status, public housing agencies have been reluctant to provide immediate assistance under this preference due to a variety of reasons including the existence of numerous other federal preferences, the limited availability of housing assistance, and the perception that such preferences violate HUD's fair housing and equal opportunity regulations.

One possible remedy is to expand section 108 of title I, which relates to the HUD Headquarters Reserve Fund, to provide for a separate reservation of housing voucher assistance for HUD's witness relocation program. In this way, HUD can make voucher assistance directly available to public housing agencies for use in relocating potential witnesses.

Eligibility and Eviction Requirements - Our efforts to keep criminals out of public housing need to be supported by more effective tenant occupancy and eviction processes. Impediments in these areas have fostered the practice of admitting into occupancy housing applicants posing potential threats to existing residents, and similarly failing to evict current residents posing threats to the health or safety of other residents or their right to a peaceful enjoyment of the premises. Persons posing such threats are typically ones with a background of illegal use of drugs, drug dealing, or convictions involving violent crimes.

Section 105 of title I of the proposed United States Housing Act of 1995 addresses the admission of persons involved in drug-related criminal activity or alcohol abuse into public and assisted housing. On the other hand, section 226 of title II requires housing agencies to execute leases that provide for terminating the tenancy of any public housing resident, any member of the residents household, or any guest under the resident's control, for drug-related criminal activity or other activity that threatens the health or safety of other residents or their right to a peaceful enjoyment of the premises.

We believe that section 105 of the bill can be strengthened to make any person who is a current illegal user of a controlled substance ineligible for public or assisted housing. We suggest that a person's illegal use of a controlled substance within the preceding twelve months should create a rebuttable presumption that the person is a current illegal user of such a controlled substance. This presumption could be overcome only by convincing evidence showing that the person has ceased all illegal use of controlled substances. The prohibition would not apply to housing provided for such illegal users through residential

treatment programs.

Moreover, by law, every tenant and member of the tenant's household should be required to certify in writing, at the time of their initial occupancy and at least annually thereafter, that they are not current illegal users of a controlled substance. A false certification by current residents would be grounds for their immediate eviction. In addition, the lease requirements in section 226 should be revised or amended to include this prohibition.

Grievance Procedures - Section 232(b) of title II of the proposed United States Housing Act of 1995 provides for each housing management agency receiving assistance under the Act to exclude from its grievance process any grievance concerning an eviction or termination of tenancy in any State which requires that, prior to eviction, the resident be provided a hearing in court which the Secretary determines provides the basic elements of due process.

We had previously recommended that similar requirements be mandated by statute since HUD has already determined that 47 State court eviction procedures satisfy the basic elements of due process. Moreover, many housing agencies within these States have not been exercising the discretionary authority conferred upon them by section 6(k) of the United States Housing Act of 1937 to exclude from their grievance procedures evictions for criminal and drug-related activity. Therefore, we fully support the bill's grievance exclusion requirements, as stated in section 232(b).

Access to Criminal Information - Housing agencies currently do not have access to criminal information on current or prospective residents from all states. If available, criminal information from the National Crime Information Center (NCIC), a national computerized criminal information system operated by the FBI, would be helpful to housing agencies in verifying information provided by applicants or for use in lease enforcement proceedings.

We suggest that the proposed United States Housing Act of 1995 include a provision giving housing management agencies access to the NCIC for purposes of applicant screening, lease enforcement, and eviction of residents. However, we are not proposing that housing agencies be permitted to categorically deny housing to any person with a criminal history. Rather, housing agencies would be expected to use such information to evaluate whether existing residents or prospective residents pose a threat to the health, safety, and general well-being of other residents. Restrictions on the use of NCIC information should be required, and employees of the housing agency should be prohibited from

disclosing such information to any person who is not an officer or employee of the housing agency. Appropriate penalties and sanctions for misuse of NCIC information should be included in the bill.

Mixed Populations of Elderly and Disabled Persons - Currently, non-elderly, mentally, and physically disabled persons are eligible for admittance into public housing for the elderly. In fact, more than one-half of all admissions into housing for the elderly today are not elderly persons, but rather disabled people, including former drug addicts and alcohol abusers. This mixing of elderly and non-elderly disabled has created severe problems for public housing agencies, as it has caused some elderly housing developments to become unstable and to deteriorate.

The elderly and non-elderly disabled have distinct lifestyles and supportive service needs that must be recognized. Incidents of assaults and intimidation of elderly residents by non-elderly disabled persons continue to occur as a result of this population mix. Indeed, we recently met with representatives of the International Association of Chiefs of Police, and they advised us the elderly/non-elderly disabled population mix is creating unstable living environments that are contributing to increased incidences of violent crime.

The current law requires housing agencies, when designating developments for elderly only, disabled only, or both, to prepare and submit allocation plans for HUD's approval. With almost 3,400 public housing agencies nationwide, only 10 such plans have been approved by HUD to date--all for elderly-only housing designations. Public housing agencies claim that HUD's regulations are too burdensome and that they serve to discourage agencies from designating elderly/disabled developments.

Section 228 of title II of the proposed United States Housing Act of 1995 attempts to deal with the mixed-population issue. However, the provisions in section 228 remain essentially unchanged from the existing law.

We suggest that housing agencies be given more flexibility in the proposed bill to designate housing developments for the elderly only, disabled only, or both. While section 228 does not require housing agencies to submit allocation plans to HUD for approval, it still provides HUD authority to prevent or overrule housing agencies from designating developments for occupancy. We believe that housing agencies should be given complete flexibility to designate developments for occupancy based on local circumstances, and free of HUD involvement.

We also suggest that the bill provide for terminating the occupancy of any persons in designated developments for good cause, including drug-related criminal activity. While PHAs already have this authority under their lease agreements, it needs to be emphasized in the law that due to the problems in mixed-occupancy developments, PHAs need to exercise their tenant eviction or relocation authority more forcefully.

Community Improvement Plans - Section 106 of the bill's title I provides for housing management agencies to submit "Community Improvement Plans" annually to the Secretary, which describes in detail their operations and plans for improvement. However, there is no specific requirement in section 106 that the housing agency's Community improvement Plan address the actions being taken by the agency to address and prevent crime and violence at its housing developments. Violent crime is one of the most serious problems affecting the viability of assisted housing, particularly public housing and should be addressed by housing agencies at every opportunity. The required Community Improvement Plan is such an opportunity.

That concludes my testimony. I appreciate the opportunity to continue to work with this Subcommittee in its efforts to improve HUD's important program delivery. I stand ready to address any questions you may have for me today, or in the future.

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HAROLD LUCAS
EXECUTIVE DIRECTOR

Testimony of

HAROLD LUCAS

Executive Director
HOUSING AUTHORITY OF THE CITY OF NEWARK

Before The

UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

Metcalfe Federal Building
October 5, 1995

57 SUSSEX AVENUE • NEWARK, NEW JERSEY 07103-3992 • TEL. 201-430-2430 • FAX 201-642-1242
"Building Quality in Housing Through Partnership"

TESTIMONY OF HAROLD LUCAS, EXECUTIVE DIRECTOR OF THE HOUSING AUTHORITY OF THE CITY OF NEWARK, NEW JERSEY, BEFORE THE HOUSE SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY OF THE COMMITTEE ON BANKING AND FINANCIAL SERVICES. OCTOBER 5, 1995

I am Harold Lucas, Executive Director of the Newark Housing Authority, Newark, New Jersey, which is the 11th largest housing authority in the country.

The Newark Housing Authority (NHA) operates approximately 10,689 units of public housing, which houses over 30,000 residents in 35 developments and has the highest density of public housing authorities in the country. Its total operating budget is approximately $65 million with 1,200 full-time employees.

The NHA's housing stock is comprised of:

- low-rise public housing units (24%)
- high-rise units, including elderly (67%)
- scattered site townhouse units (9%)

Of its current 10,689 unit inventory, approximately 3,000 units are unoccupied and/or scheduled for demolition. The majority of those 3,000 NHA units are scattered

among the high-rise family buildings. In addition, 1,777 new townhouses are being constructed pursuant to a Federal lawsuit filed by the Newark Coalition for Low Income Housing.

In the most recent 20-year period, as with most PHAs, the NHA had not received enough modernization funds to adequately maintain its housing inventory. Within the last two decades, the NHA received approximately $10 million annually to perform major repairs in 30 complexes. The average age of those complexes are 40 years old and virtually every complex is in dire need of a major system upgrade. In fact, the NHA's physical needs assessment, estimates approximately $600 million to bring the aged inventory up to present habitability standards. Presently the NHA receives approximately $38 million annually for capital improvements.

Even with a projected five year $180 million under the Comprehensive Grant Program (CGP), it will take 15 years at this rate for the NHA to have available the required funds to rehabilitate all of its current complexes.

The Authority, after years of spending and wasting money in the maintenance and upkeep of high-rise family buildings, had concluded prior to 1988, that this type of housing does not work. The high-rise developments in Newark were poorly designed in their inception and literally stacked large families on top of each other. The massive number of families living in these complexes taxed major systems, which resulted in a shorter useful life of the structures.

Underfunding capital improvements, coupled with inadequate maintenance, served to increase major system deterioration in the high-rise complexes. The failure of major systems led tenants to enjoin the NHA in a rent strike during the 1970s,

which was the country's longest. During the strike, the NHA was forced to cut down its maintenance and other services at the other high-rise sites. As a result, the majority of the Authority's high-rises fell prey to functional obsolescence. The rent strike symbolized the failure of public housing in Newark and placed the Authority on the brink of bankruptcy as it entered the 1980s.

By 1984, the Authority had adopted a Master Plan, calling for the demolition of the majority of its high-rise family public housing. At the same time, the Authority began building low-rise scattered site townhouses to take some of the "sting" out of losing so many high-rise units. Four NHA high-rise family complexes containing 3,973 units, Hayes, Scudder, Columbus and Kretchmer Homes, were deemed non-viable and plans for their demolition were devised. To that end, the Authority began de-populating the high-rise units and deferred maintenance as a cost saving measure. These plans were approved by HUD.

It should be noted: at this point, the Authority's goal was to replace some of the high-rise units with lower density low-rise units to improve the quality of life for its residents. Moreover, it was clear when compared to the surrounding communities that Newark was over saturated with public housing based in its declining population and the abundance of other assisted housing located in the city. It was believed, maybe somewhat naively, that the other municipalities would absorb the loss of units in Newark and provide their own fair share.

The NHA has a waiting list of approximately 8,000 families. Of that 8,000 families, 15-20% do not list Newark as their home address. The NHA estimates that the number of applicants from other municipalities on the waiting list would double

if consideration were given to the number of non Newark families using Newark addresses. This is further evidence that other municipalities have not provided their fair share of public/affordable housing opportunities for their needy residents. Moreover, based on a 55% rejection rate by NHA's potential tenants of NHA units, and our surveys, the great majority of our family applicants prefer townhouses or low-rise housing versus the units in high-rise complexes.

The Newark Housing Authority has been plagued with the designation of "troubled" since 1979. HUD reached this conclusion based upon the Authority's performance, at that time, and every year thereafter as the NHA was unable to meet the minimum financial and operational requirements to be considered an appropriately managed agency. In April 1992, one month after being hired by the NHA, my administration began to reverse the negative trends at the Authority.

Our new administration initiated a series of organizational restructuring, designed to achieve functional efficiencies. For example--the Agency was divided into three sectors, headed by the Executive Director and two Assistant Executive Directors, each having direct but separate responsibility. These work groups were reorganized into three functional areas:

(1) Executive (Legal, Redevelopment and Public Relations)

(2) Administration (Finance, Budget and Personnel), and

(3) Programs (Housing Management, Modernization and Security)

This restructuring provided a functional leadership triangle, which achieved a streamlined executive approval process, organizational check and balance, as well as

Executive backup (SEE ORGANIZATIONAL CHART, Exhibit). In addition, we created a flatter structure by redefining the original work groups, which were over 25, and distilled them into only 17.

With the Executive structure solidified, we recruited the best professionals in the marketplace to staff critical positions. After re-assigning staff, we crystallized corporate challenges for staff, eliminated extraneous activities that diverted resources from our corporate mission and realigned financial resources to priorities.

We then developed a comprehensive automation plan that entailed the following: hiring the best computer experts available (to write programs internally), committing financial resources to a long-term plan and training staff on state-of-the-art computer systems. Next, a methodology was established to improve corporate policies and procedures. This initiative consisted of opening a new and more comprehensive dialogue with resident groups, HUD, the City of Newark, employee organizations, trade associations and the Newark business community. These new alliances served to facilitate improvements in many out dated policies, helping to make the NHA a part of the Newark community rather than keeping it apart from the community as it had been in the past.

Most importantly, we devised methods to improve and measure productivity. We interjected common sense in the negotiation process and resolved long standing union contracts. As part of the process, parity between titles was forged and duplicative titles were reduced. In the face of union and civil service resistance, evaluation of employees and overdue annual increases were planned, conducted and scheduled routinely. As a result, employee morale improved and as did productivity.

In addition, we committed the agency to providing increased management training to all field supervisors. We established with the labor force, production goals and developed systems to track employee output.

Finally, after a complete reorganization, we turned our focus upon improving the level of communication within the agency and externally. To achieve our goal of casting a positive image of the agency's progress, we created an effective Public Information Office. The primary goal was to establish dialogue with local media to reveal successes to our staff, residents and the community at large.

HUD has been effective in its primaary role as a monitor; however, it is very difficult to determine HUD's effectiveness in its secondary role as technical assistance provider.

Based on HUD's inability, due to regulations and legislation, to be innovative, flexible and proactive in dealing with the many different problems at troubled housing authorities, HUD in many instances is rendered ineffective in its technical assistance role. Currently, HUD lacks the freedom to deal with a housing authority's problems caused by community issues, historical and political circumstances or organizational structure that may not be addressed in a handbook. Many of the answers to troubled PHA's problems cannot be addressed by the "blanket remedies" available in the current process. Most of the problems at PHAs are couched in community development issues and require strong community input to forge long range viable solutions.

Your Public Housing Reform and Empowerment Act of 1995 goes a long way toward reforming public housing and giving Washington a clearer focus on how to best service not only trouble housing authorities but housing authorities in general. This act provides clarification and direction in many areas. Had such legislation been in place, perhaps some of the problems that are facing troubled housing authorities could have been avoided or at least remedied.

Many parts of this bill represent welcomed and much needed support for public housing agencies. Addressing income minimums and maximums is now so important to maintain a minimum level of funding needs and a maximum level so that there may be more retainage of higher income residents in public housing. A recognition that substance abuse or sales generated in public housing units should be met with evictions certainly makes a valid point.

The section on family responsibility is also much needed. Public housing families of yesteryear always assisted in the operations of their residences, and only over the last 20 years has that concept changed. The requirement for community improvement plans, a one year and ten year, reflects a common sense approach to the operation of public housing, as we say in Newark, public housing must be a part of the community rather than apart from the community. If we check our records, we will probably find that most, if not all, troubled public housing agencies or projects are separated from their communities at large and have become virtual tales of two cities.

Block Grants, that are predictable long term, have to be an asset for public

housing and troubled public housing in particular. Only then would one be able to put teeth into their planning process so that the long range vision to reform their agencies can be achieved. The fungability discussed in the block grant portions of the bill are fine, but the percentage of fungability needs to be studied a little further.

Other points that addressed mixed income, police presence, separate housing for elderly and disabled, low density public housing, privatization of management and the deregulation of authorities are right on point when we stop to think what's needed to effectively operate public housing. I could go on and itemize even more points of this legislation and how it might affect troubled public housing, but to summarize, I must say that the apparent affect of most of this legislation appears to be in the right direction.

I believe that the most important part of this legislation is Section 261 which addresses the one-for-one replacement issue. As many of you know, this one-for-one replacement legislation, we believe, was a major contributing factor in why the image of the Newark Housing Authority was so infamous around this country. Our agency had some operational problems, as do other large public housing authorities, but to be caught in the catch 22 of one-for-one replacement rendered the Newark Housing Authority not only impotent but ugly as well. Before we were able to begin to change this image and to accomplish some demolitions, the agency had to reinvent itself and show everyone that (1) it could operate efficiently and effectively; (2) it could come off the troubled list; and (3) it could build houses.

The apparent perception of success or failure of housing authorities had so much to do with PHMAP scores and the designation derived therefrom as to whether a housing authority was troubled or not. The section of this legislation that addresses the accreditation and oversight of housing authorities is an interesting one as it appears to be a different way using the same or more people to revamp the PHMAP program. By setting up such a powerful board could wind up with more bureaucracy than what we already have. As we in Newark are not clear on the measurable advantage that this would achieve when the same benefit could be obtained using the existing infrastructure at HUD.

I might add that HUD, in the past, certainly had great difficulty tackling the very difficult problems both operational and political of troubled public housing and their communities. However, HUD has taken a proactive approach in Philadelphia with the Secretary working directly with the Mayor of that city in getting its act together; and more recently in Chicago where HUD sent in its senior team to directly take over the Chicago Housing Authority. There they sent in the now Assistant Secretary Kevin Marchman during the takeover transition to stabilize this situation and then appointed the very able Joe Schuldiner, the prior Assistant Secretary, as the Executive Director. We in the Industry now believe that Chicago will have the best change possible to reverse its troubled status. For Newark, the most compelling story is the way HUD worked with our authority to give us assistance and the latitude to implement the many changes that we designed to correct our troubled operation.

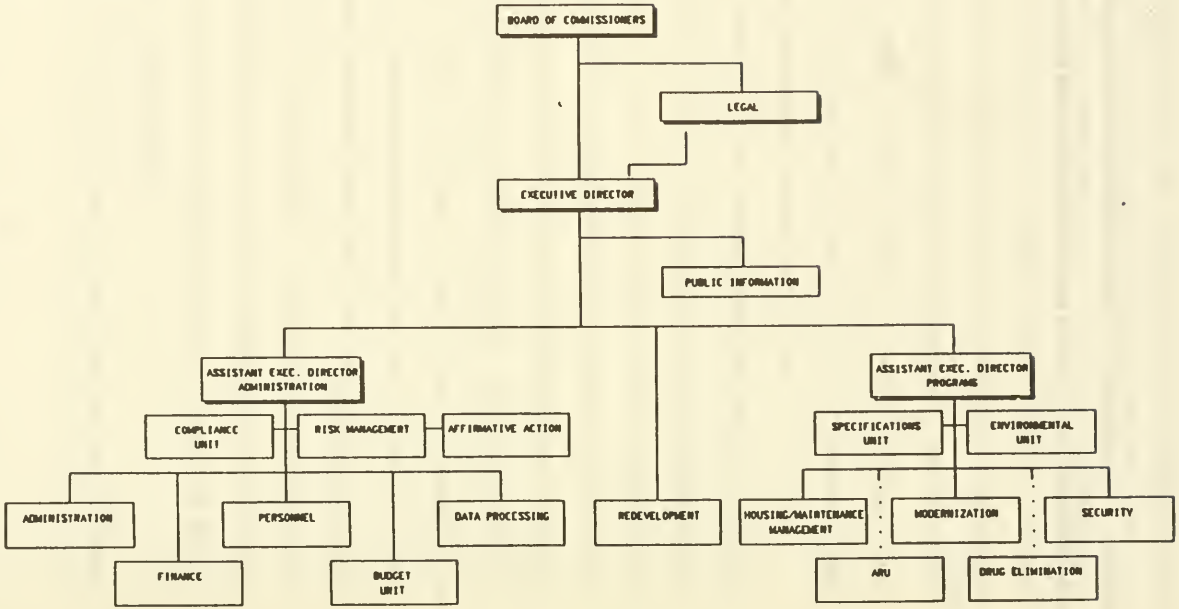
In conclusion, Mr. Lasio, you and your subcommittee have, in my opinion,

masterfully crafted a document to replace the 1937 Housing Act that I believe will become a living document for housing authorities and tenants. This is quite an accomplishment, and you and your committee should be congratulated.

NHA85.95

EXHIBIT

HOUSING AUTHORITY OF THE CITY OF NEWARK
OVERVIEW ORGANIZATION CHART



Testimony submitted to the U.S. House of Representatives Subcommittee

October 5, 1995 by the
Illinois Statewide Housing Resident Coalition, (ISPHRC)
(A project of the)
Statewide Housing Action Coalition, (SHAC)
202 S. State Street
Chicago, Illinois 60604

I.Perceptions of Public Housing

Recently the Illinois Statewide Public Housing Resident Coalition, a project of the Statewide Housing Action Coalition, (SHAC) presented a forum for public housing residents: The name for the forum "Public Housing . . . A Place to Call Home" reflects residents' feelings about where they live. Too often the media and politicians focus on the negative aspects of living in public housing. Residents at the forum began by discussing all the positive reasons for living in public housing.

At the top of the list of course, was the fact that public housing provides a permanently affordable home. Residents also pointed out that in many cases their apartments were in better shape than those owned privately. Furthermore, HUD rules, when enforced, provide important protection against unfair management practices. Residents from rural Illinois talked about experiences of their friends in private housing who had been illegally evicted and had no where to turn for help.

Residents also talked about the sense of community created in public housing developments. There were many examples of sharing day care responsibilities, helping out sick friends, etc. In addition, almost every development represented included some form of social service. These services ranged from: summer food programs, after-school programs, drug elimination programs, gang prevention programs to community medical centers. Many residents in attendance volunteered time at other community institutions such as local school councils, senior citizen centers, churches, etc. This work is addition to long hours spent in improving the quality of life in public housing.

In this climate of deregulation and cutting federal programs for the poor, residents efforts to improve their housing have been used against them. After years of ignoring residents pleas to work with them to improve public housing, federal legislators and local municipalities are now using these criticisms as an excuse to eliminate public housing and deregulate HUD. Yes, for every eight adequate housing authorities there are two problems, and for every ten examples of HUD resolving a local problem there is an example of HUD's failure to act. The focus of the legislature should be on addressing these problems, not throwing away a system that is not perfect , is correctable, and serves an urgent need.

Although the focus of the forum was to illustrate the positive, residents did not forget the need to continue to work to improve public housing. The balance of this report focus on constructive suggestions to improve public housing.

II. Recommendations to Improve Troubled Public Housing:

A. Mandated Representation of Residents on Public Housing Authority Boards

For the past several years SHAC has sought to gain state legislation mandating, elected resident representation on Housing Authority Boards. This has been achieved only for Chicago. Last year SHAC worked with the Center for Community Change and public housing resident associations throughout the nation on federal legislation to achieve this. Neither effort has been successful.

A common response to these efforts has been that there is nothing preventing local jurisdictions from appointing residents to housing authority boards. In fact, we know of only three housing authorities in Illinois who currently have residents on their Boards. The delegation of governing public housing to those who do not live there, and the refusal to accept residents as equal stakeholders is both demeaning and fails to take advantage of the valuable resource residents bring to governing public housing development.

Involving residents in the decision-making process is increasingly important in view of proposed deregulation. Local housing authority boards and municipalities are ill-prepared to take on the responsibility of preserving and managing public housing without assistance. Residents who have received training through the HUD resident initiative programs and not-for-profit agencies are in a position to provide that assistance.

B. Use of vouchers to replace public housing

We are concerned that some members of Congress are still talking about replacing project-based public housing with tenant-based assistance. Project-based public housing is the only form of permanent, affordable housing in the country. With the voucher system, vouchers would only last 3-5 years with no guarantee of renewal. With inadequate educational opportunities and a decrease in job availability, how many residents do you think will be able to pay fair market rent on their own in three to five years?

Currently there is not enough housing units to serve existing low income families. This is a problem even without the addition of the thousands of families currently living in public housing. The lack of units is especially acute for large families. Certificates and vouchers do not increase production so many people will be forced to live in very bad housing or on the streets.

In many areas, there is discrimination against people with vouchers as well as a lack of affordable housing. In these areas, it will be difficult if not impossible for residents with vouchers to find housing in the private market. Vouchers will not secure affordable housing in these areas and as a result, patterns of housing discrimination will be advanced.

HUD says that residents can choose to stay in their developments with the vouchers. But, even if they stay, many of their neighbors may have left to try to find housing in the private market. This will create a large number of vacancies and will result in either the demolition of the development or a raise in rent for the remaining residents. Residents would eventually have to move out anyway.

C. Repealing the one-for-one replacement

Residents are especially concerned about the repeal of the one-for-one replacement rule. We believe that the nation is in danger of adopting a housing policy which will create, not just a failure to increase housing opportunities but an actual loss of affordable housing and an increase in the numbers of homeless. We are especially concerned with the changes which will allow local communities to decide to demolish public housing without providing replacement housing. For years, national policy has forced public housing residents to suffer inadequate housing as a result of insufficient funding, poor maintenance, and conscious, purposeful neglect. Now we are using these inadequate conditions as an excuse to tear down people's homes.

By abdicating its role in preserving public housing, the federal government is converting the decision to preserve public housing to a local real estate decision. In Illinois there are two examples of public housing developments which would have been totally lost were it not for the one-for-one replacement rule and HUD's involvement. These developments are Arsenal Courts in Rock Island and Henry Horner Homes in Chicago, with a combined total of over 1,000 units. In Chicago, the city administration is poised to move the wrecking ball to at least two other developments immediately. Replacement housing for the loss of these units does not exist and the provision of certificates and vouchers makes little difference to the residents facing eviction. If the federal government proceeds with plans to allow demolition, what plans are being made for replacement housing and when will the lists be provided to displaced residents?

Furthermore, the decision to demolish most of these development is not based on concern over the condition of the housing but over local real estate values. In fact, the majority of public housing is in decent condition. Eighty percent, as determined by HUD's Performance Housing Management Assessment Program (PHMAP), is sound. The Council of Large Public Housing Authorities reports that two-thirds of the public housing units are only slightly over thirty years old and the average number of units in a development is about 100. Almost 70% of the units are in two-story garden apartments or town houses. Finally, almost all of the units and land are debt free.

In the context of the dwindling resources for development of new affordable housing, public housing is a resource we cannot afford to loose. The limited supply of privately-owned housing is far less decent, less safe, and often requires 50% - 70% of low-income residents' income in rent payments. The housing crisis will escalate and the number of homeless will increase if the public housing inventory is not protected by federal statute.

We believe that the one-for-one replacement rule must be maintained. Failing that, Congress must impose very strict guidelines to be met prior to the demolition of any housing. Public housing residents and not-for-profit, affordable housing advocates must have a controlling voice in plans for demolition and relocation.

D. Adjusting tenant's rent contribution

The efforts to balance the budget by increasing the rents of the nation's poorest residents would be laughable if it did not reflect a frightening underlying philosophy. That is that the poor should pay to maintain the life style of the rich. Only 2% of the renters with incomes ranging from $40,000 - $65,000 pay more than 30% of their income for rent. Very few homeowner pay more than 25% of their income for housing payments. Over half of the tenants with incomes below $10,000 pay over 50% of their income for rent.

At $10,000 per year a person paying 30% of their income for rent is left with only $583 per month for necessities. Even a modest increase in rent means a decrease in adequate nutrition, health care, and education. The Brooke amendment setting rents at 30% of income must be maintained.

E. Easing barriers for employed residents

Congress has begun praising mixed-income public housing developments. Unfortunately, they are not talking about raising the income levels of existing resident but of importing, and subsidizing new higher income residents.

Proponents of such proposals claim that the life-style of moderate-income residents provide critically needed role models for low-income residents. Perhaps economic prejudices blind decision-makers to other approaches that can readily create an economic mix in a manner that demonstrates respect for residents. Such measures will facilitate resident transition to employment rather than create barriers. Suggestions include:

* In cases when residents work but do not have benefits equivalent to those they had prior to employment they will continue to receive current benefits. If they are terminated prior to two continuous years of employment they would immediately resume receiving benefits

* During the first year of employment rent payment would not increase. Thereafter, for the next four years rent payment would increase by 25% of what it would increase under the Brooke amendment.

F. Deregulation

Without HUD regulating PHA's, the job is left to local government. Many local governments have failed to support Public Housing in the past and the result of this de-regulation could be disastrous in specific local areas.

III. CONCLUSION:

Congress has tried to rationalize "reforms" in public housing by saying that it will let residents choose where they live, promote better management of public housing developments and encourage self-sufficiency. But the plan is really about money. All of the changes are aimed at cutting funds to a Department that has been inadequately funded for over ten years.

Public housing residents have been working to improve their housing for years. Our recommendation is that we continue work to improve public housing and move away from efforts that will likely destroy it.

Here are our recommendations:

*Increase resident participation in decision-making. Put elected resident commissioners on all public housing authority boards.
*Expand and improve the resident management program.
*Provide adequate funding for modernization and replacement.
*Eliminate barriers to employment for residents
*Increase housing authorities accountability to HUD and local government.

The Chicago Housing Authority

October 27, 1995

NOV 0 2 [redacted]

The Honorable Rick Lazio
U.S. Congressman
314 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Lazio:

This will respond to a question you raised at the October 5 field hearing on troubled public housing held in Chicago. You asked what had been done since the HUD takeover to upgrade the Management Information System (MIS) at the Chicago Housing Authority (CHA). As I indicated at the hearing, of all the dysfunctional aspects of the CHA, the absence of basic management and information systems is among the most glaring. Simple work orders and procurement requisitions were bogged down in an endless maze, due largely to outdated or nonexistent computer systems. This was a top priority at the time of the takeover, and in addition to maintenance, is the only area where we have actually committed additional resources during this time of shrinking budgets.

We have hired a highly qualified MIS director, who has implemented new systems in large troubled housing authorities, Cleveland and Philadelphia specifically.

At the same time, we will soon be selecting firms to design and install a new integrated software system. It is expected that it will take at least a year before the system becomes fully operational. Priority will be given to work orders and financial systems so we can provide better maintenance to the units and track every dollar that is spent by the CHA.

We will not, however, stand still during this transitional phase. In fact, significant measures have already been taken to streamline and improve the procurement and warehouse departments. When we took over, procurement entailed 63 steps added $8,000 per order, and took 65 days to deliver. Through information systems upgrades and the elimination of an outdated bureaucratic apparatus, the steps will be whittled to a few, $800,000 per year will be saved, and most orders will be processed within five days.

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With respect to the availability and flow of supplies, the entire warehouse system has been overhauled to decrease waste and increase efficiency. When we arrived, over $4 million in unneeded and obsolete supplies sat unused in the central warehouse. At the same time, essential supplies and materials were either unavailable due to poor planning, or hoarded because the system had no checks or accountability. Under the new system, order will be restored through a computerized purchasing and ordering system. To further enhance efficiency, cost-effectiveness, and service to the residents, we eventually expect to allow development managers to contract directly with vendors for special needs projects that involve a one-time expense.

Good management will lead to improvements in other areas as well, but systemic changes will not be achieved until this overhaul is complete.

I hope this information has been helpful. I would be happy to answer any questions you or other subcommittee members may have.

Sincerely,

Joseph Shuldiner
Executive Director

/kmc

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